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12 June 2014

Physiomics plc

("Physiomics") or ("the Company")

Physiomics enters the personalized medicine market. Anticipated new collaboration with Diatech Pharmacogenetics

Physiomics plc (AIM: PYC), the Oxford, UK based systems biology company, is pleased to announce that it has signed a Heads of Terms agreement with Diatech Pharmacogenetics srl ("Diatech") to negotiate a Collaboration Agreement. Under the terms of the anticipated Collaboration Agreement Physiomics and Diatech will develop an innovative in-silico platform to personalize cancer patient treatment.

This anticipated new in-silico platform will combine pharmacological information related to cancer drugs with genomic and physiological information about the patient, to predict which treatments and regimens are likely to lead to an increase in survival. The platform will initially be used to support physicians to make the best choice of available treatment options for patients. Ultimately, the software could be further developed to choose the right patient groups for clinical trials of new drugs.

The parties anticipate signing a full collaboration agreement within 6 months and a further announcement will be made at that time if it is executed.

Diatech is the market leader for cancer Pharmacogenetics in Italy with a 80% market share into the CE IVD segment. They would provide the necessary clinical calibration via an existing network of cancer centres. If completed, the directors believe the collaboration would provide a direct route to market for Italy and potentially other Diatech clients in Europe, where the software developed could be sold in combination with Diatech's kits.

Mr Fabio Biondi, President of Diatech, commented:

"This collaboration could open up new frontiers for clinical research and medicine. We are excited to be progressing this anticipated new project among the list of research activities that we are conducting into the personalized medicine field. We are also confident that this co-development could add new interesting products into our portfolio. We believe that this

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Registered in England and Wales Number 4225086

Registered Office: The Magdalen Centre, Oxford Science Park, Oxford OX4 4GA, UK

new tool could enhance the capability of our customers to identify the best personalized therapy for the patients and therefore improve the quality of treatment. This novel project offers an exciting opportunity to broaden Diatech's market-lead"

Dr Mark Chadwick, CEO of Physiomics, commented:

"This proposal could represent an important step in the evolution of the Physiomics business model. If developed, the software would help us to give the right drugs to the right patients. We believe we would then be able to combine this with our Virtual Tumour platform to also determine which dose and schedule of drugs patients need to optimise the effectiveness of their treatments while minimising side effects. This should allow Physiomics to enter into closer collaborations with biotech partners and take an increased share of downstream value, as well as further improving our service offering to large pharmaceutical companies. Finally, the results of this project should open up a new market of healthcare providers to Physiomics."

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About Physiomics plc

Physiomics (AIM:PYC) is a computational systems biology services company applying simulations of cell behaviour to drug development to reduce the high attrition rates of clinical trials. 80-90 per cent of all clinical drug candidates fail to reach the market and estimates show that an overall ten per cent improvement in success rates could reduce the cost of one drug's development by as much as \$242 million, from the current estimate of around \$800 million¹.

Physiomics develops computational systems biology models to predict and understand cancer drug efficacy from pre-clinical research to clinical development. Physiomics has created detailed mathematical models incorporating the most important molecular events taking place during the human cell cycle and apoptosis processes. The company's SystemCell® technology enables the simulation of populations of "virtual cells". The company has also developed a "Virtual Tumour" model to simulate the effect of anti-cancer drugs on tumour growth. The models are used to optimise compound design and to design drug schedules and combination therapies.

Physiomics, based in Oxford, UK, was founded in 2001, and floated on AIM in 2004. For further information, please visit www.physiomics-plc.com

SystemCell® is a registered trademark of Physiomics plc

¹Tufts Centre Impact Report 2002

About Diatech Pharmacogenetics srl

Diatech Pharmacogenetics is one of the few Italian companies working in the molecular biology field.

Scientific co-operations have been realized with Italian and foreign universities, hospitals and private companies. Pharmacogenetics and pharmacogenomics have introduced a dramatic and still ongoing revolution in the fight against cancer. Diatech Pharmacogenetics is the unique company in Italy focusing its research efforts on pharmacogenetics, the science that studies the genetic variation that effects response to drugs, as well as underpins understanding on what side effects are likely to occur (personalised medicine).

Diatech Pharmacogenetics supports its own research efforts commercializing and developing pharmacogenetic tests implemented in the personalised and predictive medicine, with priority focused on the most invasive therapies: anti-cancer treatments. Pharmacogenetic kits developed by Diatech Pharmacogenetics target to personalize chemotherapy and radiotherapy cancer treatments, leading to higher efficacy and reduced side effects.

Diatech, based in Jesi (AN) Italy, was founded in 1996. For further information, please visit www.diatechpharmacogenetics.com

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