



Intercytex

21 September 2006

**Intercytex Group plc
Interim results for the six months ended 30 June 2006**

Intercytex Group plc (LSE: ICX) announces its interim results for the six months ended 30 June 2006.

Intercytex is an emerging healthcare company developing cell therapy products for the woundcare and aesthetic medicine markets. It uses its proprietary expertise in cell therapy to develop products that harness the innate ability of human cells to regenerate and repair the body.

Highlights

Products

- Good recruitment progress in Phase III trial of ICX-PRO for venous leg ulcers. On track to complete recruitment in early 2007 and announce results in H2 2007
- Successful completion of Phase I trial of ICX-RHY for facial rejuvenation. Phase II trials are expected to start in Q4 2006
- MHRA confirmation that ICX-RHY can currently be sold in the UK without a marketing authorisation

Corporate

- Successful listing on AIM in February 2006, raising £13.7 million (net of expenses)
- Successful GCP inspection by MHRA

Financial

- Loss before tax for the six months ended 30 June 2006 of £4.0m (H1 2005: £3.4m)
- Cash and liquid resources at 30 June 2006 of £15.1 million (H1 2005: £1.0m)
- Milestone payment of US\$150,000 received from Bosley under ICX-TRC option

Post period-end highlights

- Jan Benschop appointed as VP Commercial Development
- Commencement of Phase II trial of ICX-PRO in diabetic foot ulcers
- First subjects recruited to Phase II trial of ICX-TRC for male pattern baldness

Nick Higgins, CEO commented: *“Intercytex is developing a number of innovative cell therapy products, all of which will have moved to their next stage of clinical development during the year. We look forward to a number of potentially value-enhancing events over the forthcoming months with confidence.”*

Enquiries

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Notes for Editors

Intercytex is an emerging healthcare company developing and commercialising cell therapy products for the woundcare and aesthetic medicine markets. Intercytex is using its proprietary expertise in cell therapy to develop products that harness the innate ability of human cells to regenerate and repair the body.

Intercytex has four products in development in two business areas:

- Woundcare
 - ICX-PRO, designed to stimulate active repair in chronic wounds - in a Phase III trial for venous leg ulcers and a Phase II trial for diabetic foot ulcers.
 - ICX-SKN, being developed as a durable and robust skin replacement - due to start a Phase I trial during 2006.
- Aesthetic medicine
 - ICX-TRC, a hair regeneration product - in a Phase II trial.
 - ICX-RHY, a facial rejuvenation product – due to start Phase II trials during 2006.

All Intercytex' products are derived from unmodified, human cells.

Intercytex commenced operations in 2000 and currently employs around 70 staff. In addition to its head office in Cambridge, UK, it has a GMP clinical production facility with research and development laboratories in Manchester, UK.

Intercytex' shares were admitted for trading on the Alternative Investment Market of the London Stock Exchange on 1 February 2006 under the ticker symbol ICX.L.

Statements contained within this press release may contain forward-looking information or statements with respect to the financial condition, results of operations and business achievements/performance of Intercytex and certain of the plans and objectives of management of Intercytex with respect thereto. By their nature, forward-looking statements involve risks and uncertainties that may cause actual results to vary from those contained in the forward-looking statements. In some cases, you can identify such forward-looking statements by terminology such as 'may', 'will', 'could', 'forecasts', 'expects', 'plans', 'anticipates', 'believes', 'estimates', 'predicts', 'potential', 'continue' or similar expressions. A number of factors, including the satisfactory progress of research and development, could cause Intercytex' actual financial condition, results of operations and business achievements/performance to differ materially from the estimates made or implied in such forward-looking statements and, accordingly, reliance should not be placed on such statements. Forward projections reflect management's best estimates based on information available at the time of issue and are not a guarantee of future performance. Other than as required by applicable law, Intercytex does not undertake any obligation to update or revise any forward-looking information or statements to reflect events or circumstances after the date of this release.

The term "Intercytex" refers to Intercytex Group plc and its subsidiary undertakings.

Chairman's Statement

I am very pleased to report Intercytex' 2006 interim results. Good progress has been made in advancing the clinical development of three of the Company's programmes and in preparing the fourth for the clinic. This is an excellent achievement and a credit to the hard work of all our staff.

Product development

During the period we completed a Phase I clinical trial of ICX-RHY, our innovative product for facial rejuvenation. The study, conducted in collaboration with Prof. Nicholas Lowe MD FRCP at the Cranley Clinic, London, consisted of a placebo-controlled safety and tolerability study in 10 healthy volunteers. Each subject received a course of three injections given into the skin of the upper arm. ICX-RHY was shown to be very well tolerated; no serious adverse events were reported and all adverse events were transient and resolved without treatment.

On the basis of these very encouraging data we plan to submit applications to the MHRA and Ethics Committee for a Phase II study scheduled to commence in the fourth quarter. The proposed study will evaluate the efficacy of ICX-RHY when injected into facial wrinkles. It is anticipated that preliminary results from this study will be available around the middle of 2007.

Our lead product, ICX-PRO for the treatment of chronic ulcers, is currently being evaluated in two clinical trials. The first is a multi-centre Phase III trial in the US, UK and Canada evaluating efficacy in venous leg ulcers. After a slow start, patient recruitment has accelerated and we anticipate completing recruitment in early 2007 and reporting the trial results in the second half of 2007. Recruitment has also commenced for a Phase II trial in the UK in diabetic foot ulcers to assess proof of concept in this indication.

We have commenced subject recruitment to a Phase II trial for ICX-TRC, our cell therapy product for hair regeneration in male-pattern baldness. The process involves taking a biopsy from the subject, separating out the relevant cells, and growing them in our facility using our proprietary process. Patient biopsies will commence following MHRA agreement to a minor process amendment which is expected by the end of the month. The initial cohort is 20 subjects which will be followed by variations in delivery technique in further similar sized cohorts. We expect to report preliminary data from this trial in the first half of 2007.

ICX-SKN is our fourth product candidate which has been designed as a living skin replacement for use as an 'off-the-shelf' skin graft. Based on feedback from a series of meetings with plastic surgeons and dermatologists we will shortly be submitting an application to the regulatory authorities to conduct a Phase I trial in volunteers to assess safety and persistence of the product. This trial is expected to start by the year end.

Following the successful GMP inspection of our facility in Manchester last year the MHRA conducted a GCP inspection which I am pleased to say we passed.

Management

The final position planned for our executive team was filled in July when Jan Benschop joined us as VP Commercial Development. Jan has over 25 years experience in the sales and marketing of pharmaceutical, healthcare and biological products. In particular he brings highly relevant experience in the aesthetic medicine area having been a Director of Allergan responsible for the European marketing of BOTOX®.

Commercial

In March we received confirmation from the MHRA that ICX-RHY is outside the scope of the current legislation covering the marketing of medicines and devices in the UK. Accordingly Jan Benschop is

evaluating commercial strategies for the launch of this product in the UK which is scheduled for the second half of 2007. We have also submitted similar applications to the regulatory authorities in other European countries.

We have received an opinion from the MHRA that ICX-TRC will currently be regulated as a medicine in the UK; we are investigating its regulatory status in other jurisdictions.

Fundraising and Financial Results

£13.7m of net proceeds was received in February 2006 from the IPO in which 13.9m new ordinary shares were issued at a price per share of 108p.

The operating cash outflow for the period was £4.3m (H1 2005: £3.2m). The net cash inflow after financing (excluding liquid resources) was £9.4m (H1 2005: (£0.8m)) resulting in cash and liquid resources of £15.1m at the end of June (H1 2005: £1.0m).

Income in the period relates to receipt of the second milestone from Bosley under the ICX-TRC option agreement. The pre-tax loss for the period was £4.0m (H1 2005: £3.4m). The increase is principally due to higher R&D costs of £3.6m (H1 2005: £2.4m) resulting from the transition of ICX-PRO to Phase III trials, the enhanced effort on ICX-SKN and the establishment of the ICX-RHY programme. General and administrative expenses of £611k are lower than in H1 2005 (£935k) since the comparative period included written-off IPO costs. The charge for share-based payments resulting from implementation of FRS 20 (IFRS 2) was £138k.

Prospects

By the year end we plan to have all of our products in clinical efficacy trials, three of which are designed to generate data to support product sales and marketing activities. This will be a very busy time for the Company and I look forward to a number of potentially value-enhancing events over the forthcoming months with confidence.

I F Kent
Chairman

21 September 2006

Intercytex Group plc
Unaudited consolidated profit & loss account

	<i>Six months to 30 June 2006</i>	<i>Six months to 30 June 2005</i>	<i>Audited year to 31 December 2005</i>
	£	£	£
Operating Income	82,586	-	-
Research and development costs	(3,564,609)	(2,435,059)	(5,604,736)
General and administrative expenses	(610,764)	(934,533)	(1,590,068)
Share-based compensation	(138,126)	-	-
Total expenses	<u>(4,313,499)</u>	<u>(3,369,592)</u>	<u>(7,194,804)</u>
Operating loss	<u>(4,230,913)</u>	<u>(3,369,592)</u>	<u>(7,194,804)</u>
Bank interest receivable	247,896	37,191	88,454
Interest payable and similar charges	<u>(15,138)</u>	<u>(26,686)</u>	<u>(129,229)</u>
	<u>232,758</u>	<u>10,505</u>	<u>(40,775)</u>
Loss on ordinary activities before taxation	(3,998,155)	(3,359,087)	(7,235,579)
Tax on loss on ordinary activities	570,402	371,699	727,657
Loss on ordinary activities after taxation	<u>(3,427,753)</u>	<u>(2,987,388)</u>	<u>(6,507,922)</u>
Loss per share:			
Basic and diluted	<u><u>(6.4p)</u></u>	<u><u>(11.1p)</u></u>	<u><u>(20.6p)</u></u>

The Group's operating loss arises from continuing operations.

Consolidated statement of total recognised gains and losses

The Group has no recognised gains or losses for the periods shown above, other than those reported and therefore no statement of total recognised gains and losses has been presented.

Intercytex Group plc
Unaudited consolidated balance sheet

	<i>At 30 June 2006</i>	<i>At 30 June 2005</i>	<i>Audited at 31 December 2005</i>
	£	£	£
Fixed Assets			
Tangible Assets	<u>561,873</u>	<u>637,569</u>	<u>587,306</u>
Current Assets			
Stock	33,978	45,774	49,771
Debtors	1,586,091	628,258	1,156,693
Cash at bank and in hand	15,102,589	1,000,183	5,686,613
	<u>16,722,658</u>	<u>1,674,215</u>	<u>6,893,077</u>
Creditors: amounts due within one year	(1,234,486)	(1,138,975)	(1,867,131)
	<u>15,488,172</u>	<u>535,240</u>	<u>5,025,946</u>
Net current assets			
	16,050,045	1,172,809	5,613,252
Total assets less current liabilities			
	(159,314)	(126,095)	(108,199)
Net assets	<u><u>15,890,731</u></u>	<u><u>1,046,714</u></u>	<u><u>5,505,053</u></u>
Capital and reserves			
Called up share capital	557,238	269,349	418,250
Share premium account	21,116,679	-	7,580,362
Merger reserve	18,902,411	16,987,916	18,902,411
Capital redemption reserve	229,065	-	229,065
Unsecured convertible loan	-	1,893,950	-
Share-based compensation reserve	138,126	-	-
Profit and loss account	(25,052,788)	(18,104,501)	(21,625,035)
Shareholders' funds	<u><u>15,890,731</u></u>	<u><u>1,046,714</u></u>	<u><u>5,505,053</u></u>

Intercytex Group plc**Consolidated reconciliation of movement in shareholders' funds**

	<i>Six months to 30 June 2006</i>	<i>Six months to 30 June 2005</i>	<i>Audited year to 31 December 2005</i>
	£	£	£
<i>Loss for the period / year</i>	(3,427,753)	(2,987,388)	(6,507,922)
New equity share capital subscribed	13,675,305	1,893,950	7,917,244
Conversion of loan notes & exercise of warrants	-	-	1,955,579
Share-based compensation reserve	138,126	-	-
Net increase / (reduction) in shareholders' funds	<u>10,385,678</u>	<u>(1,093,438)</u>	<u>3,364,901</u>
Opening shareholders' funds	5,505,053	2,140,152	2,140,152
<i>Closing shareholders' funds</i>	<u>15,890,731</u>	<u>1,046,714</u>	<u>5,505,053</u>

Intercytex Group plc
Unaudited consolidated cash flow statement

	<i>Six months to 30 June 2006</i>	<i>Six months to 30 June 2005</i>	<i>Audited year to 31 December 2005</i>
	£	£	£
<i>Net cash outflow from operating activities</i>	(4,322,805)	(3,158,679)	(6,259,625)
<i>Returns on investment and servicing of finance</i>			
Interest received and similar income	247,896	37,191	88,454
Interest element of finance lease rental payments	(15,138)	(26,686)	(63,884)
	<u>232,758</u>	<u>10,505</u>	<u>24,570</u>
<i>Taxation</i>			
R&D tax credits received	-	589,099	589,099
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets	(15,198)	(6,141)	(22,202)
<i>Net cash outflow before management of liquid resources</i>	<u>(4,105,245)</u>	<u>(2,565,216)</u>	<u>(5,668,158)</u>
<i>Management of liquid resources</i>			
(Increase) / decrease in short term deposits	(12,500,000)	1,000,000	500,000
<i>Financing</i>			
Issue of ordinary share capital (net of issue costs)	13,675,305	-	7,868,408
Issue of unsecured convertible loan notes	-	1,893,950	1,939,091
Repayments of capital element of finance leases	(154,084)	(128,072)	(252,249)
<i>Increase / (decrease) in cash</i>	<u><u>(3,084,024)</u></u>	<u><u>200,662</u></u>	<u><u>4,387,092</u></u>

Intercytex Group plc**Consolidated reconciliation of net cash flow to movement in net funds**

	<i>Six months to 30 June 2006</i>	<i>Six months to 30 June 2005</i>	<i>Audited year to 31 December 2005</i>
	£	£	£
Increase / (decrease) in cash	(3,084,024)	200,662	4,387,092
Capital element of finance lease repayments	154,084	128,072	252,249
Reduction in short term deposits	12,500,000	(1,000,000)	(500,000)
Issue of unsecured convertible loan notes	-	-	(1,939,091)
<i>Net movement resulting from cash flows</i>	<u>9,570,060</u>	<u>(671,266)</u>	<u>2,200,250</u>
New finance leases	(155,728)	(75,682)	(183,096)
Conversion of unsecured convertible loan notes	-	-	1,939,091
<i>Total movement in net funds</i>	<u>9,414,332</u>	<u>(746,948)</u>	<u>3,956,245</u>
<i>Net funds at start of period / year</i>	5,330,103	1,373,858	1,373,858
<i>Net funds at end of period / year</i>	<u>14,744,435</u>	<u>626,910</u>	<u>5,330,103</u>

Notes to the financial information

1. Basis of preparation and accounting policies

These interim statements, which were approved by the Board on 20 September 2006, do not constitute statutory accounts within the meaning of Section 240(5) of the Companies Act 1985. The financial information for the year ended 31 December 2005 has been extracted from the statutory accounts of Intercytex Group plc for that year, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under sections 237(2) or (3) of the Companies Act 1985.

The results for the six month periods ended 30 June 2006 and 30 June 2005 have not been audited by the Group's auditors.

These interim statements have been prepared on a basis consistent with the financial statements for the year ended 31 December 2005 except for the adoption of FRS 20 noted below.

The 2006 financial year is the first year in which the Company has adopted FRS 20 (IFRS 2) – 'Share-based payment'. In accordance with this standard, the cost of share options awarded to employees under the Group's share option schemes is measured by reference to their fair value at the date of grant. This cost is recognised over the vesting period of the options based on the number of options which in the opinion of the directors will ultimately vest. The impact in 2006 is a charge of £0.14m. The charges for prior periods are insignificant and accordingly the comparatives for those periods have not been restated.

The Group has taken advantage of transitional provisions contained in FRS 20 and has applied FRS 20 only to share options granted after 7 November 2002 which had not vested at 1 January 2006.

2. Loss per share

The calculations of loss per ordinary share are based on the following losses and weighted average number of shares in issue during the period:

		<i>6 months ended 30 June 2006</i>	<i>6 months ended 30 June 2005</i>	<i>Year ended 31 December 2005</i>
Retained loss for the period	(£'000)	(3,428)	(2,987)	(6,508)
Weighted average number of ordinary shares	('000)	53,201	26,935	31,635
Loss per share		(6.4p)	(11.1p)	(20.6p)

The exercise of share options during the period would have the effect of reducing the loss per ordinary share, and is not therefore dilutive under the terms of FRS 22.

3. Reconciliation of group operating loss to net cash flow from operating activities

	<i>Six months to 30 June 2006</i>	<i>Six months to 30 June 2005</i>	<i>Audited year to 31 December 2005</i>
	£	£	£
<i>Total operating loss</i>	(4,230,913)	(3,369,592)	(7,194,804)
Depreciation and amortisation charges	196,358	176,712	350,466
Share-based compensation	138,126	-	-
(Increase) / decrease in stock	15,793	(41,338)	(45,335)
(Increase) / decrease in debtors	141,004	(47,554)	(243,490)
Increase / (decrease) in creditors	(583,173)	123,093	873,538
<i>Net cash outflow from operating activities</i>	<u>(4,322,805)</u>	<u>(3,158,679)</u>	<u>(6,259,625)</u>

4. Analysis of net funds

	<i>At 1 January 2005</i>	<i>Cash flow</i>	<i>Other non- cash movement</i>	<i>At 30 June 2005</i>
	£	£	£	£
Cash at bank and in hand	299,521	200,662	-	500,183
Short term deposits	1,500,000	(1,000,000)	-	500,000
Finance leases	(425,663)	128,072	(75,682)	(373,273)
	<u>1,373,858</u>	<u>(671,266)</u>	<u>(75,682)</u>	<u>626,910</u>

	<i>At 1 January 2005</i>	<i>Cash flow</i>	<i>Other non- cash movements</i>	<i>At 31 December 2005</i>
	£	£	£	£
Cash at bank and in hand	299,521	4,387,092	-	4,686,613
Short term deposits	1,500,000	(500,000)	-	1,000,000
Finance leases	(425,663)	252,249	(183,096)	(356,510)
Unsecured convertible loan notes	-	(1,939,091)	1,939,091	-
	<u>1,373,858</u>	<u>2,200,250</u>	<u>1,755,995</u>	<u>5,330,103</u>

	<i>At 1 January 2006</i>	<i>Cash flow</i>	<i>Other non- cash movement</i>	<i>At 30 June 2006</i>
	£	£	£	£
Cash at bank and in hand	4,686,613	(3,084,024)	-	1,602,589
Short term deposits	1,000,000	12,500,000	-	13,500,000
Finance leases	(356,510)	154,084	(155,728)	(358,154)
	<u>5,330,103</u>	<u>9,570,060</u>	<u>(155,728)</u>	<u>14,744,435</u>