



8th March, 2006

Intercytex Group plc Preliminary results for the year ended 31 December 2005

Intercytex Group plc (LSE: ICX) announces its preliminary results for the year ended 31 December 2005.

Intercytex is an emerging healthcare company developing cell therapy products for the wound care 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

- Positive Phase II trial results announced for ICX-PRO for chronic wounds.
- Commencement of Phase III trial for ICX-PRO for chronic wounds.
- Completion of Phase I trial for ICX-TRC for male pattern baldness.

Corporate

- Nick Higgins appointed Chief Executive Officer in January 2005.
- John Aston and Alan Suggett appointed as non-executive directors.
- Manchester facility passed MHRA GMP inspection.

Financial

- Financing round completed in July 2005 raising £7.9 million (net of expenses).
- Loss before tax for the year ended 31 December 2005 of £7.2m (2004: £5.1m).
- Cash and liquid resources at 31 December 2005 of £5.7 million (2004: £1.8m).

Post year end highlights

- Successful listing on AIM in February 2006, raising £13.7 million (net of expenses).
- Commencement of Phase I trial of ICX-RHY for facial rejuvenation.

Nick Higgins, CEO commented: *“During 2005 Intercytex achieved major advances in its product development programmes which laid the foundations for our successful AIM listing in February this year. We now have a well-funded company with experienced management and a robust pipeline of cell therapy products.”*

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.
 - 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 - due to commence Phase II trials in mid-2006.
 - ICX-RHY, a facial rejuvenation product - in a Phase I trial.

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

Intercytex commenced operations in 2000 and currently employs around 65 staff. Prior to flotation it raised over £27 million in four private equity financing rounds. In addition to its head office in Cambridge, UK, it has a GMP clinical production facility with research and development laboratories in Manchester, UK. Additional laboratories are located in Boston, USA.

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' first set of results as a listed company and to welcome the Company's new shareholders. During 2005 we made considerable progress in developing our product pipeline, management team and financial base and are now well-positioned for the future.

Products

In terms of products, we completed a Phase IIb clinical trial of ICX-PRO, our lead product for the treatment of chronic ulcers. The results of the trial, in which 74 patients with chronic venous leg ulcers of at least 6 months' duration were evaluated per protocol, indicated good efficacy and beneficial performance characteristics. In particular, over 80% of patients showed clinical benefit and 35% had completely healed at 24 weeks post treatment. In addition, 41% of patients with baseline wounds of up to 41 square centimetres achieved complete wound closure during the study period. On the basis of these results we commenced a multi-centre Phase III trial in the US, UK and Canada which is expected to be completed during the first half of 2007.

Our second product, ICX-TRC for hair regeneration in male-pattern baldness, completed a Phase I safety trial in which five out of seven subjects showed an increase in hair numbers. This was a medical first. We also learnt much from the trial regarding the delivery and dosing requirements of this product. We are now in the process of preparing applications to commence a Phase II clinical efficacy programme, initially in the UK.

The third product, ICX-RHY, for facial rejuvenation, was conceived during the first half of the year, and by early 2006 the first volunteer had been consented to a Phase I trial being undertaken in the UK. The speed with which this product candidate has progressed demonstrates our ability to leverage our cell therapy assets and know-how to fast-track product development timelines. In the case of ICX-RHY our expertise with allogeneic human dermal fibroblasts has been crucial.

ICX-SKN is our fourth product candidate. Again, this project has been progressed rapidly moving from early stage research in 2004 to GMP manufacturing process validation by 2006. ICX-SKN is intended as a true living skin substitute that will provide immediate closure of both chronic and acute wounds. It has been designed as a full thickness skin replacement which could replace the need for some skin autograft procedures. To date we have been able to demonstrate skin-like tertiary collagen structure, tensile strength and sufficient toughness to take sutures. We intend to commence a phase I trial of this product later this year.

All our products are manufactured in our GMP facility in Manchester. This was granted an MHRA licence in 2004, and in 2005 it underwent a full MHRA inspection which I am pleased to say it passed. This is a testament to the professionalism of our production and quality staff.

Management and Board

Two key appointments were made to our senior management team. Nick Higgins was appointed as Chief Executive Officer at the beginning of the year, and John St. Clair Roberts was appointed as VP Medical Affairs. Nick joined us from Acambis where he was Chief Business Officer and John from Microscience where he was Medical Director. The impact of both appointments has been substantial and Nick's appointment has enabled Paul Kemp, our founder, to apply his unique cell therapy experience full time as Chief Scientific Officer.

Our Board has also developed with the transition to public company status. Alan Suggett and John Aston joined as non-executive directors during the year and have already made a significant contribution. Alan brings considerable expertise in woundcare and cell therapy from his time as Group R&D Director at Smith & Nephew, and John has acquired a decade of

experience in the development of a successful biotech company as CFO of Cambridge Antibody Technology. I would like to thank the outgoing non-executive directors of the Company, Mark Docherty, Andrew Fraser, Alan Goodman, Brian Kerr and Zeev Zehavi, for their support and encouragement over the past years.

Fundraising and Financial Results

In July 2005 the existing shareholders of the Company committed a further £12m of investment. £8m of this was drawn down prior to the year end and the balance subscribed as part of the IPO process.

The operating cash outflow for the year was £6.3m (2004: £4.8m). The net cash inflow after financing (excluding liquid resources) was £3.9m (2004: (£4.7m)) resulting in year-end cash and liquid resources of £5.7m (2004: £1.8m). A further £13.7m of net proceeds was received in February 2006 from the IPO. Intercytex now has sufficient cash to fund its development through a series of milestones which should add considerable value to the Company.

The pre-tax loss for the year was £7.2m (2004: £5.1m). The increase reflects higher research and development costs, due in particular to 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 costs were also higher mainly as a consequence of fundraising costs and the expanded management team.

Prospects

Intercytex has achieved much in the 6 years since it commenced operations. It has a well-developed pipeline of products all of which have been generated internally. The added financial strength which the IPO has brought should underpin another year of significant achievement.

Intercytex Group plc
Unaudited consolidated profit and loss account

	<i>Year ended</i> 31 Dec 2005 (£)	<i>Year ended</i> 31 Dec 2004 (£)
<i>Operating Income</i>	-	-
Research and development costs	(5,604,736)	(4,241,618)
General and administrative expenses	(1,590,068)	(901,557)
Total expenses	<u>(7,194,804)</u>	<u>(5,143,175)</u>
<i>Operating loss</i>	<u>(7,194,804)</u>	<u>(5,143,175)</u>
Bank interest receivable	88,454	141,409
Interest payable and similar charges	(129,229)	(60,810)
	<u>(40,775)</u>	<u>80,599</u>
<i>Loss on ordinary activities before taxation</i>	(7,235,579)	(5,062,576)
<i>Tax on loss on ordinary activities</i>	727,657	526,562
<i>Loss on ordinary activities after taxation</i>	<u>(6,507,922)</u>	<u>(4,536,014)</u>
<i>Loss per share:</i>		
Basic and diluted	(20.6p)	(16.8p)
	<u>=====</u>	<u>=====</u>

There are no recognised gains or losses other than the loss of £6,507,922 attributable to the shareholders for the year ended 31 December 2005 (2004: loss of £4,536,014).

Intercytex Group plc
Unaudited consolidated balance sheet

	<i>As at</i> 31 Dec 2005 (£)	<i>As at</i> 31 Dec 2004 (£)
Fixed assets		
Tangible assets	587,306	732,474
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Current assets		
Stocks	49,771	4,436
Debtors	1,156,693	774,666
Cash at bank and in hand	5,686,613	1,799,521
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Creditors: amounts falling due within one year	6,893,077 (1,867,131)	2,578,623 (963,899)
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Net current assets	5,025,946	1,614,724
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Total assets less current liabilities	5,613,252	2,347,198
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Creditors: amounts falling due after more than one year	(108,199)	(207,046)
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Net assets	5,505,053	2,140,152
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Capital and reserves		
Called up share capital	418,250	269,349
Share premium account	7,580,362	-
Merger reserve	18,902,411	16,987,916
Capital redemption reserve	229,065	-
Profit and loss account	(21,625,035)	(15,117,113)
	<hr/>	<hr/>
Equity shareholders' funds	5,505,053	2,140,152
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Intercytex Group plc
Unaudited consolidated cash flow statement

	<i>Year ended</i> 31 Dec 2005 (£)	<i>Year ended</i> 31 Dec 2004 (£)
<i>Net cash outflow from operating activities</i>	(6,259,625)	(4,814,009)
<i>Returns on investments and servicing of finance</i>		
Interest received and similar income	88,454	141,409
Interest element of finance lease rental payments	(63,884)	(60,810)
	<u>24,570</u>	<u>80,599</u>
<i>Taxation</i>		
R&D tax credits received	589,099	492,994
	<u>589,099</u>	<u>492,994</u>
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(22,202)	(146,874)
	<u>(22,202)</u>	<u>(146,874)</u>
<i>Net cash outflow before management of liquid resources</i>	(5,668,158)	(4,387,290)
<i>Management of liquid resources</i>		
Decrease in short term deposits	500,000	4,500,000
<i>Financing</i>		
Issue of ordinary share capital (net of issue costs)	7,868,405	-
Issue of unsecured convertible loan notes	1,939,091	-
Repayments of capital element of finance leases	(252,249)	(287,541)
	<u>9,555,250</u>	<u>(287,541)</u>
<i>Increase/(decrease) in cash</i>	<u>4,387,092</u>	<u>(174,831)</u>

Notes to the financial information

1. Basis of preparation

The financial information disclosed in this announcement does not constitute the Company's statutory financial statements. Intercytex Group plc was incorporated on 24 January 2005, and on 25 April 2005 acquired the entire issued share capital of Intercytex Limited via the issue of shares. The transaction meets the requirements laid down in Financial Reporting Standard 6 and the Companies Act 1985 which permit merger accounting. The transaction has therefore been accounted for using the merger method of accounting. The profit and loss accounts, balance sheets and cash flow statements, along with related notes, have been prepared as if the Group had always been in existence in its current form, with the results for the year to 31 December 2005 being the consolidated results for Intercytex Group plc. The financial information for the year ended 31 December 2004 has been extracted from the statutory accounts of Intercytex Limited 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 financial statements in respect of the year end 31 December 2005 will be delivered to the Registrar of Companies in due course and will also be sent to shareholders. This preliminary statement was approved by the Board on 6th March 2006.

2. Loss per share

The calculation of loss per ordinary share is based on the loss of £6,507,922 (2004: £4,536,014) and on 31,634,872 (2004: 26,934,920) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The exercise of share options and the convertible loan notes and warrants in existence during the year would have the effect of reducing the loss per ordinary share, and are not therefore dilutive under the terms of FRS 22.

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

	<i>Year ended 31 Dec 2005 (£)</i>	<i>Year ended 31 Dec 2004 (£)</i>
Total operating loss	(7,194,804)	(5,143,175)
Depreciation and amortisation charges	350,466	392,706
(Increase)/decrease in stock	(45,335)	54,974
Increase in debtors	(243,490)	(163,127)
Increase in creditors	873,538	44,613
Net cash outflow from operating activities	<u>(6,259,625)</u>	<u>(4,814,009)</u>

4. Post balance sheet events

In January 2006 the Company completed a placing and subscription over 13,888,889 new ordinary shares in aggregate at 108p per share through an initial public offering on the AIM market of the London Stock Exchange. The placing and subscription became wholly unconditional on 2nd February 2006 by which time the entire issued share capital of the Company had been admitted to trading on AIM.

The placing and subscription raised £13.7 million net of estimated expenses.