



18 September 2008

**Intercytex Group plc  
Interim results for the six months ended 30 June 2008**

Intercytex Group plc (LSE: ICX), the regenerative medicine company developing innovative products to restore skin and hair, announces its interim results for the six months ended 30 June 2008.

**PRODUCT HIGHLIGHTS**

**Cyzact<sup>®</sup> (ICX-PRO) - healing chronic wounds**

- Phase III trial in venous leg ulcers fully recruited; data expected to be announced around the end of Q1/2009 with filing of the BLA in the second half of that year
- Final positive Phase II data from diabetic foot ulcer trial of Cyzact<sup>®</sup> presented at EWMA conference in Lisbon

**VAVELTA<sup>®</sup> - natural repair for damaged skin**

- First commercial sales of VAVELTA<sup>®</sup> commenced in June; rollout of distribution network underway with over 15 clinics now accredited
- Positive final data from two Phase II trials of VAVELTA<sup>®</sup> presented in June at FACE congress in London, UK
- Further positive responses being generated from field trials of VAVELTA<sup>®</sup> conducted by the Clinical Practice Group with around 50 patients treated by this group to date
- Treatment commenced in a third Phase II trial for burns scars (including contractures); trial extended to up to 30 patients with additional centres being enrolled

**ICX-SKN - skin grafts for acute wounds**

- Phase I study showed integration of graft in all 12 patients persisting for up to 6 months
- Product being reformulated for trauma and burns applications for US Phase II clinical trial as part of the AFIRM award

**ICX-TRC - hair regeneration**

- Data from the Phase II trial shows increase in hair count in 11 out of 14 (79%) evaluable subjects at 24 weeks

## CORPORATE AND FINANCIAL HIGHLIGHTS

- Placing of new shares to existing shareholders completed on 8<sup>th</sup> September 2008 raising £2.75m gross
- Intercytex the only non-US participant in a group awarded substantial funding to establish US Armed Forces Institute of Regenerative Medicine (AFIRM); initial funding available to support development of ICX-SKN for burns in the US
- Awarded grant from the Technology Strategy Board of £285k over 3 years to assist with development of strategies for preservation and storage of cell therapy products
- Positive report received from Human Tissue Authority following inspection of our Manchester GMP facility
- Loss before tax for the six months ended 30 June 2008 of £6.59m (H1 2007: £6.04m)
- Cash and cash equivalents and liquid investments at 30 June 2008 of £6.36m (H1 2007: £17.55m)

## BOARD

- Max Herrmann, ACA appointed as CFO replacing Richard Moulson

Nick Higgins, CEO of Intercytex, commented: *“Intercytex continues to make excellent progress in becoming a significant player in the rapidly expanding field of regenerative medicine. During the period, the Company continued to achieve its milestones and has broadened the applications of its products under development. With a rich, late-stage pipeline, a marketed product and backing from the US Department of Defence, we are very confident of our future prospects.”*

There will be an analyst meeting to discuss the interim results today at 10.30am at the offices of Financial Dynamics at Holborn Gate, 26 Southampton Buildings, WC2A 1PB. For those unable to attend, there will be a live audio conference call. Please call Claire Rowell on 0207 269 7285 for details.

## Enquiries

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## Notes for Editors

Intercytex is a healthcare company developing regenerative medicine products for the woundcare and aesthetic medicine markets. It uses its expertise in cell therapy technology to develop innovative products that harness the innate ability of human cells to regenerate and repair the body. Intercytex has 4 products in development:

- Cyzact<sup>®</sup>, designed to stimulate active repair in chronic wounds - in a Phase III trial
- VAVELTA<sup>®</sup> (ICX-RHY), a facial rejuvenation product already introduced to the UK market.
- ICX-SKN, being developed as a durable and robust skin replacement - recently completed a Phase I trial
- ICX-TRC, a hair regeneration product - in a Phase II trial

All Intercytex' products are derived from unmodified human cells.

Intercytex commenced operations in 2000 and currently employs around 80 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. Additional laboratories are located in Boston, USA.

Intercytex' shares trade on AIM, a market of the London Stock Exchange, under the ticker symbol ICX.L.

Additional information on the Company can be found at [www.intercytexas.com](http://www.intercytexas.com).

*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' 2008 interim results. The Group continues to achieve its milestones and has broadened the potential applications of its advanced product pipeline. It has also received a strong endorsement from the US Department of Defence with its inclusion in the AFIRM programme.

### Product development

#### **Cyzact® (ICX-PRO) - Healing of chronic wounds**

Cyzact® comprises allogeneic human fibroblasts embedded in a human fibrin matrix and is being developed to stimulate wound healing and closure in chronic wounds.

In early June we completed the enrolment target of 396 patients for the pivotal Phase III trial of Cyzact® in venous leg ulcers. This is a major achievement for a company of our size and we now look forward to announcing the results around the end of Q1/2009 and to filing the BLA in the second half of 2009.

Separately, we completed the Phase II trial in the UK in patients with neuropathic diabetic foot ulcers. This trial was designed to assess safety and efficacy of the product and provide feedback to inform the Phase III trial design. Nine subjects whose ulcers had not responded to conventional therapy were treated with Cyzact® over a 20 week period in association with standard of care. Of the nine subjects enrolled, two (22%) showed complete wound closure by 12 and 16 weeks respectively, two (22%) showed almost complete closure by 24 weeks (in one of these subjects complete closure was observed at 26 weeks) and three (33%) have shown no significant improvement. Two (22%) subjects withdrew voluntarily. These very encouraging data were presented at the 18<sup>th</sup> Conference of the European Wound Management Association in Lisbon in May 2008.

We are in discussion with a number of potential distribution partners to launch, distribute and sell the product in the US and potentially other markets as well. We believe that any deal will likely be closed following the announcement of the Phase III venous leg ulcer data.

#### **VAVELTA® (ICX-RHY) Natural repair for damaged skin**

VAVELTA comprises a suspension of young allogeneic human fibroblasts which are injected intradermally to improve and rejuvenate the structure of skin.

In June positive 6 month follow-up data from two Phase II trials of VAVELTA were presented at the FACE congress in London, UK.

The first Phase II clinical trial, focused on nasolabial folds, was conducted at the Cranley Clinic for Dermatology in London with Professor Nicholas Lowe MD FRCP. In this trial 6 subjects received a low dose of product. A second group of 10 subjects was then injected with a higher dose. All subjects were followed out to 6 months post-treatment with the following results:

- The average satisfaction scores for both groups combined at 6 months for the treatment as assessed separately by both subjects and the investigator on a scale of 1-10 (where 1 is not satisfied and 10 is very satisfied), were both 8. In addition, the investigator measured an improvement in wrinkle severity in 12 (75%) subjects
- No serious adverse events have been observed and the product has been well tolerated

The second Phase II study involved the use of the product in acne scarring in a study conducted by Dr David Eccleston MB ChB, at the MediZen Clinic in Birmingham. Subjects were followed out to 6 months post-treatment with the following results:

- The average satisfaction scores for the treatment at 6 months as assessed separately by both subjects and the investigator on a scale of 1 -10 were 7 and 6 respectively
- No serious adverse events have been observed and the product has been well tolerated

Treatment has commenced in a third Phase II trial at the Wythenshawe Hospital investigating use of the product for burns scars (including contractures). It is intended to open up additional centres and to recruit up to 30 patients in this open label study.

Over the last 12 months a Clinical Practice Group (CPG) of specialist clinicians has been conducting field evaluations of VAVELTA in a commercial setting. This group is currently being expanded from the original 6 members and we now have over 15 accredited sites. Feedback from clinicians and patients on the product has been sufficiently positive that commercial sales commenced via the CPG in the summer. Sales revenues in 2008 are not expected to be significant. In addition to the UK we have also determined that we can sell the product in the Netherlands under current regulations.

We are also exploring the potential use of VAVELTA for the treatment of Recessive Dystrophic Epidermolysis Bullosa, a seriously debilitating and ultimately fatal skin disease affecting young children characterised by blister formation after minor trauma to the skin.

### ***ICX-SKN - Skin grafts for acute wounds***

ICX-SKN comprises allogeneic human fibroblasts set in a natural human collagen matrix, which mimics the structure of natural skin, and is intended as a skin graft replacement.

During 2008 we completed our Phase I trial in a total of 12 volunteers in two groups; the trial was designed to evaluate the safety, tolerability and graft integration and persistence of ICX-SKN in healthy adult female subjects. An ellipsoidal piece of normal skin was surgically removed from the upper arm of each subject and replaced with a tailored graft of ICX-SKN, using one of two different formulations. Six subjects were followed for one month, four for three months and two for six months. In two subjects we also included a control site which was allowed to heal without the addition of ICX-SKN. All grafts were totally excised at the end of the follow-up period and examined histologically.

In all subjects ICX-SKN was very well tolerated with no serious adverse events reported. There was no evidence of graft rejection; both visual and histological analysis showed that in all volunteers the ICX-SKN grafts were rapidly vascularised and overgrown with the hosts' own cells, resulting in a fully integrated skin graft that had closed and healed the wound site. This remarkable result contrasts with all other living skin graft alternatives which biodegrade *in situ* after a matter of weeks. There was evidence that wounds treated with ICX-SKN showed superior healing to the control sites.

Following our success in being selected as part of AFIRM, we are receiving funding to develop ICX-SKN for use in trauma and burns applications in the US market. Accordingly we have decided to focus on these applications and, subject to appropriate funding under AFIRM, plan to carry out the next trial in the US. A successful burns programme would also allow an accelerated development programme for use of ICX-SKN in the surgical excision market. Consequently, we no longer plan to start an internally financed Phase II trial this year.

### ***ICX-TRC - Hair regeneration***

ICX-TRC consists of a suspension of autologous dermal papilla (DP) cells. These cells are able to stimulate the generation of new hairs when injected into the scalp in close proximity to the epithelial cells which generate the hair. The purpose of the ongoing Phase II study being conducted by Dr Bessam Farjo in Manchester is to optimise the delivery of the DP cells.

In this study, hair counts are obtained by shaving and photographing a small section of scalp, injecting it and then applying a specialised image analysis system to provide a total hair count. Two sub-groups were each injected with autologous DP cells using different delivery techniques. The first group focussed on delivery of the hair inductive DP cells, and in the second group resident hair producing (epithelial) cells were also stimulated at the time of delivery.

At 24 weeks the results are as follows:

- Of the five subjects who received DP cells with no pre-stimulation of the scalp three (60%) showed an increase in hair counts
- Of the nine subjects who received DP cells with pre-stimulation of the scalp eight (89%) showed an increase in hair counts
- Two subjects were not evaluable at this time-point

At the end of Q1 next year when the trial has concluded, photographic data will be analysed from a much larger area of treated scalp on all subjects at 12 months. Currently three subjects have been lost to follow up.

We are continuing to explore partnering opportunities to continue the next clinical phase of development of ICX-TRC. Bosley, the largest chain of hair transplant clinics in the US, has an option to negotiate distribution rights to this product.

## **Corporate & commercial**

In April we reported on our participation in a consortium that has been selected to establish the United States' Armed Forces Institute of Regenerative Medicine (AFIRM), supported by an initial grant from the US Government totalling \$85 million. The purpose of AFIRM is to use the science of regenerative medicine to develop new treatments for battlefield injuries. Therapies developed by AFIRM will also be used in trauma and burns patients in the general public.

AFIRM is made up of two civilian research consortia working with the US Army Institute for Surgical Research in Fort Sam Houston, Texas. One consortium is led by the McGowan Institute for Regenerative Medicine and the Wake Forest Institute for Regenerative Medicine and the other is led by Rutgers, the State University of New Jersey, and the Cleveland Clinic. Intercytex is part of the McGowan-Wake Forest consortium and is the only non-US participant in AFIRM, emphasising its leading position in the rapidly emerging and important field of regenerative medicine.

AFIRM has been designed to speed the delivery of regenerative medicine therapies to treat critically injured soldiers from around the world. Our participation is initially centred on the opportunity to develop ICX-SKN for burn repair – it will enable us to conduct clinical trials in the US in Army Medical Hospitals and ultimately to supply the US Government with the product. Intercytex retains all intellectual property rights in ICX-SKN and plans to fully exploit both military and civilian markets.

During the summer, our Manchester GMP production facility was inspected by the Human Tissue Authority to ensure our compliance with the regulatory regime for human tissue procurement, storage and production. We received a very positive report with no amendments or conditions placed on our license. We received a number of positive comments including a request by HTA for us to become a reference site to support other organisations in this area.

Intercytex was awarded a TSB grant of £285k receivable by the Company over 3 years to examine methods to improve the ability to ship and store cell based regenerative medicine products and increase their shelf life. This work will be done in collaboration with world class research teams at Sheffield and Loughborough universities and will be applicable to all of Intercytex' products.

Earlier this month we raised £2.75m (gross) of additional funding from existing shareholders. This will fund the Company well into the second half of next year. I would like to thank those investors who participated in the fund raising.

## **Board**

I am delighted to welcome Max Herrmann ACA who will join the Board as CFO bringing with him a wealth of experience, having held senior roles both within biotech companies and as a research analyst. Richard Moulson leaves with the Board's best wishes to become CFO of ETV Capital, a provider of venture debt. In addition, Lee Woodward ACA, Intercytex' current Financial Controller, will take on the role of Company Secretary.

## **Financial results**

£2.75m of gross proceeds were raised on 8<sup>th</sup> September 2008 from a share placing of 6,547,619 new ordinary shares of 1 pence each at a price per share of 42p.

The financial results have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union.

Net cash outflows from operations for the six month period were £6.13m (H1 2007: net cash outflows from operations £5.82m), resulting in cash and liquid investments of £6.36m at the end of June (H1 2007: £17.55m).

Income in the period relates to receipt of our first VAVELTA revenues following the successful commercial launch of ICX-RHY as a facial rejuvenation product at selected UK clinics. No revenue was received from Bosley under the ICX-TRC option (2007: £111k). Other operating income includes £197k (2007: £175k) of further government grant receipts under our DTI grant.

The pre-tax loss for the period was £6.59m (H1 2007: £6.04m).

Research & Development costs have increased by £407k (8%) on 2007 primarily as a result of increased clinical trial and shipping costs, and increased salary costs. General and administrative expenses are £117k (8%) higher than those for H1 2007 primarily due to increased salary costs.

## **Outlook**

We continue to report positive data across our pipeline. We particularly look forward to reporting on the outcome of our pivotal Phase III trial of Cyzact, the progress of VAVELTA in the burns contracture study, and our developing role within the AFIRM consortium.

**I F Kent**

Chairman

18 September 2008

**Intercytex Group plc**  
**Consolidated income**  
**statement**

For the six months ended 30 June 2008 (unaudited)

	<i>Note</i>	Six months to 30 June 2008	Six months to 30 June 2007	Audited year to 31 December 2007
		£'000	£'000	£'000
VAVELTA revenue		2	-	-
VAVELTA cost of sales		-	-	-
<b>Gross profit</b>		<b>2</b>	<b>-</b>	<b>-</b>
Licensing & option income		-	111	111
Research and development costs	2	(5,361)	(4,954)	(9,619)
General and administrative costs	2	(1,632)	(1,515)	(2,684)
Other operating income: grants receivable	4	200	175	373
		<b>(6,793)</b>	<b>(6,294)</b>	<b>(11,930)</b>
<b>Operating loss</b>		<b>(6,791)</b>	<b>(6,183)</b>	<b>(11,819)</b>
Finance revenue		217	163	233
Finance costs		(20)	(19)	(40)
<b>Loss before taxation</b>		<b>(6,594)</b>	<b>(6,039)</b>	<b>(11,626)</b>
Taxation		667	520	1,128
<b>Loss for the period attributable to equity holders</b>		<b>(5,927)</b>	<b>(5,519)</b>	<b>(10,498)</b>
<b>Loss per share:</b>				
Basic and diluted	3	<b>(7.4p)</b>	<b>(9.3p)</b>	<b>(15.1p)</b>

All results are from continuing activities

**Intercytex Group plc**  
**Consolidated balance sheet**  
As at 30 June 2008 (unaudited)

	<i>Note</i>	As at 30 June 2008 £'000	As at 30 June 2007 £'000	Audited as at 31 December 2007 £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		782	943	881
		<b>782</b>	<b>943</b>	<b>881</b>
<b>Current assets</b>				
Inventories		101	63	114
Trade and other receivables		639	656	622
Current tax asset		1,736	443	1,042
Available for sale liquid investments	6	4,002	16,086	11,959
Cash and cash equivalents	6	2,362	1,468	538
		<b>8,840</b>	<b>18,716</b>	<b>14,275</b>
<b>TOTAL ASSETS</b>		<b>9,622</b>	<b>19,659</b>	<b>15,156</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Obligations under finance leases		201	184	205
		<b>201</b>	<b>184</b>	<b>205</b>
<b>Current liabilities</b>				
Trade and other payables		2,163	1,740	1,852
Obligations under finance leases		142	195	155
		<b>2,305</b>	<b>1,935</b>	<b>2,007</b>
<b>TOTAL LIABILITIES</b>		<b>2,506</b>	<b>2,119</b>	<b>2,212</b>
<b>NET ASSETS</b>		<b>7,116</b>	<b>17,540</b>	<b>12,944</b>
<b>Equity attributable to equity holders of the parent</b>				
Share capital	5	803	794	794
Share premium		32,500	32,500	32,500
Capital redemption reserve		229	229	229
Merger reserve		18,902	18,902	18,902
Profit and loss account		(45,555)	(34,949)	(39,775)
Unrealised gains and losses reserve		237	64	294
<b>TOTAL EQUITY</b>		<b>7,116</b>	<b>17,540</b>	<b>12,944</b>

**Intercytex Group plc**

**Consolidated statement of changes in shareholders' equity**

For the six months ended 30 June 2008 (unaudited)

	<i>Attributable to equity holders</i>						
	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Unrealised gains reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2007 (restated)</b>	<b>561</b>	<b>21,289</b>	<b>229</b>	<b>18,902</b>	-	<b>(29,577)</b>	<b>11,404</b>
Total gains on available-for-sale investments	-	-	-	-	64	-	<b>64</b>
Realised gain transferred to income statement	-	-	-	-	-	-	-
Net gains on available-for-sale investments	-	-	-	-	64	-	<b>64</b>
Deferred tax at 22%	-	-	-	-	-	-	-
<b>Total income and expense recognised directly in equity</b>	-	-	-	-	<b>64</b>	-	<b>64</b>
Loss for the period	-	-	-	-	-	(5,517)	<b>(5,517)</b>
<b>Total income and expense for the period</b>	-	-	-	-	<b>64</b>	<b>(5,517)</b>	<b>(5,453)</b>
Issue of share capital	233	11,769	-	-	-	(2)	<b>12,000</b>
Transaction costs	-	(558)	-	-	-	-	<b>(558)</b>
Share-based compensation	-	-	-	-	-	147	<b>147</b>
<b>At 30 June 2007</b>	<b>794</b>	<b>32,500</b>	<b>229</b>	<b>18,902</b>	<b>64</b>	<b>(34,949)</b>	<b>17,540</b>
Total gains on available-for-sale investments	-	-	-	-	373	-	<b>373</b>
Realised gain transferred to income statement	-	-	-	-	(60)	-	<b>(60)</b>
Net gains on available-for-sale investments	-	-	-	-	313	-	<b>313</b>
Deferred tax at 22%	-	-	-	-	(83)	-	<b>(83)</b>
<b>Total income and expense recognised directly in equity</b>	-	-	-	-	<b>230</b>	-	<b>230</b>
Loss for the period	-	-	-	-	-	(4,981)	<b>(4,981)</b>
<b>Total income and expense for the period</b>	-	-	-	-	<b>230</b>	<b>(4,981)</b>	<b>(4,751)</b>
Share-based compensation	-	-	-	-	-	155	<b>155</b>
<b>At 31 December 2007</b>	<b>794</b>	<b>32,500</b>	<b>229</b>	<b>18,902</b>	<b>294</b>	<b>(39,775)</b>	<b>12,944</b>
Total gains on available-for-sale investments	-	-	-	-	83	-	<b>83</b>
Realised gain transferred to income statement	-	-	-	-	(156)	-	<b>(156)</b>
Net gains on available-for-sale investments	-	-	-	-	(73)	-	<b>(73)</b>
Deferred tax at 22%	-	-	-	-	16	-	<b>16</b>
<b>Total income and expense recognised directly in equity</b>	-	-	-	-	<b>(57)</b>	-	<b>(57)</b>
Loss for the period	-	-	-	-	-	(5,927)	<b>(5,927)</b>
<b>Total income and expense for the period</b>	-	-	-	-	<b>(57)</b>	<b>(5,927)</b>	<b>(5,984)</b>
Issue of share capital	9	-	-	-	-	-	<b>9</b>
Share-based compensation	-	-	-	-	-	147	<b>147</b>
<b>At 30 June 2008</b>	<b>803</b>	<b>32,500</b>	<b>229</b>	<b>18,902</b>	<b>237</b>	<b>(45,555)</b>	<b>7,116</b>

**Intercytex Group plc**  
**Unaudited consolidated cash flow statement**  
For the six months ended 30 June 2008

	<i>Note</i>	Six months to 30 June 2008	Six months to 30 June 2007	Audited year to 31 December 2007
		£'000	£'000	£'000
<b>Operating activities</b>				
Total operating loss		(6,791)	(6,183)	(11,819)
Non cash:				
Depreciation of property, plant and equipment		207	149	348
Share-based compensation		151	147	302
Working capital adjustments:				
(Increase)/decrease in trade and other receivables		(17)	(36)	26
Decrease/(increase) in inventories		13	(153)	(87)
Increase in trade and other payables		311	257	264
<b>Net cash flows from operations</b>		<b>(6,126)</b>	<b>(5,819)</b>	<b>(10,966)</b>
Net income tax (paid)/received		(11)	1,049	977
<b>Net cash flows from operating activities</b>		<b>(6,137)</b>	<b>(4,770)</b>	<b>(9,989)</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment		(8)	(274)	(321)
Grants received in relation to capital items		-	62	100
Return from available-for-sale liquid investments		156	64	60
Interest received		61	232	96
<b>Net cash flows used in investing activities</b>		<b>209</b>	<b>84</b>	<b>(65)</b>
<b>Management of liquid resources</b>				
Decrease/(increase) in available-for-sale liquid investments		7,884	(7,469)	(2,901)
<b>Financing activities</b>				
Proceeds from issue of shares	5	5	12,000	12,000
Transaction costs of issue of shares		-	(558)	(558)
Payment of finance lease liabilities		(117)	(106)	(215)
Interest paid on finance leases		(20)	(19)	(40)
<b>Net cash flows used in financing activities</b>		<b>(132)</b>	<b>11,317</b>	<b>11,187</b>
Net increase/(decrease) in cash and cash equivalents		1,824	(838)	(1,768)
Cash and cash equivalents at 1 January		538	2,306	2,306
<b>Cash and cash equivalents at period end</b>		<b>2,362</b>	<b>1,468</b>	<b>538</b>

## Notes to the financial information

### 1. Basis of preparation and accounting policies

Intercytex Group plc is a public limited company incorporated and domiciled in the United Kingdom whose shares are publicly traded on the Alternative Investment Market (AIM). The consolidated half yearly financial statements of the Company as at and for the six months ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the Group).

The consolidated financial statements of the Group as at and for the year ended 31 December 2007 are available upon request from the Company's registered office at Innovation House, Oaks Business Park, Crewe Road, Manchester M23 9QR or at [www.intercytex.com](http://www.intercytex.com).

The half yearly financial information is presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

These interim financial statements have been prepared in accordance with the accounting principles that were applied in the preparation of the annual financial statements for the year ended 31 December 2007 and in compliance with IAS 34. The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments, which have been valued on an available-for-sale basis, in accordance with IAS39.

These interim statements, which were approved by the Board on 16<sup>th</sup> September 2008, do not constitute statutory accounts within the meaning of Section 240(5) of the Companies Act 1985. The statutory accounts for the year ended 31 December 2007, prepared in accordance with IFRS, 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 or any emphasis of matter.

The results for the six month periods ended 30 June 2008 and 30 June 2007 have not been audited nor reviewed by the Group's auditors.

Over the coming year the Group's ability to fund operations of the business will remain dependent on the success of the company to manage its working capital and when necessary its success in attracting further external funding. The Board is in discussions with more than one party about potential business opportunities which should provide the Group with additional funding. Based on meetings and discussions held to date, the Board is confident it will successfully secure funding thus enabling it to continue its product development activities and on this basis has prepared the financial statements on a going concern basis.

### 2. Operating costs

The 2007 half year comparatives for R&D and G&A costs have been re-stated to reflect an updated basis of cost allocation which was adopted for the 2007 annual report.

### 3. 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:

		Unaudited six months to 30 June 2008	Unaudited six months to 30 June 2007	Audited year to 31 December 2007
Loss for the period	(£'000)	<u>(5,927)</u>	<u>(5,519)</u>	<u>(10,498)</u>
Weighted average number of ordinary shares	('000)	<u>79,622</u>	<u>59,495</u>	<u>69,325</u>
Loss per share		<u>(7.4p)</u>	<u>(9.3p)</u>	<u>(15.1p)</u>

The exercise of outstanding share options in the periods would have the effect of reducing the loss per ordinary share, and are not therefore dilutive under the terms of IAS 33.

### 4. Government grants

Government grant claims amounting to £197k (6 months to 30 June 2007: £293k; year to 31 December 2007: £492k) were made in the period of which £197k was taken to income (6 months to 30 June 2007: £175k; year to 31 December 2007; £373k). The balance is included in deferred income within trade and other payables.

### 5. Share issues

In February 2008 the Company allotted and issued 500,000 shares at an exercise price of 1 pence to Paul Kemp, Chief Scientific Officer, under the terms of an EMI share option scheme.

In March 2008 the Company allotted and issued 398,949 (April 2007: 291,182) fully paid new ordinary shares to the Intercytex Group plc Employee Benefit Trust in order to satisfy conditional share awards made to employees under the Intercytex Group plc Share Incentive Plan (an HMRC approved all employee share purchase plan adopted by the Company on 20th June 2006).

In June 2007 the Company completed a placing of 23,076,924 new ordinary shares. The shares were issued to new and existing shareholders fully paid at a price of 52 pence per share raising £12m gross. Net proceeds after all issue expenses were £11.44m.

### 6. Liquid investments and cash and cash equivalents

The Group's liquid investments comprise holdings in money market funds and bank deposits. These investments may be liquidated on 24 hours notice and are traded in highly liquid markets.

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with a remaining maturity of three months or less.

	Unaudited six months to 30 June 2008	Unaudited six months to 30 June 2007	Audited year to 31 December 2007
	£'000	£'000	£'000
Cash and cash equivalents	2,362	1,468	538
Available for sale liquid investments	4,002	16,086	11,959
<b>Total cash and cash equivalents and liquid investments</b>	<b>6,364</b>	<b>17,554</b>	<b>12,497</b>

### 7. Segmental analysis and seasonality

The Group is currently organised into one business segment, which is the development of cell-based therapies. The Group has a US branch which is involved in research and development activities within this single business segment. The Group's activities are neither seasonal nor cyclical.

### 8. Changes in estimates

The preparation of half yearly financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated half yearly financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2007.

### 9. Post balance sheet event

On 8th September the Company raised £2.75m gross (£2.64m net) through a placing of 6,547,619 new ordinary shares of 1 pence each at a price per share of 42p.