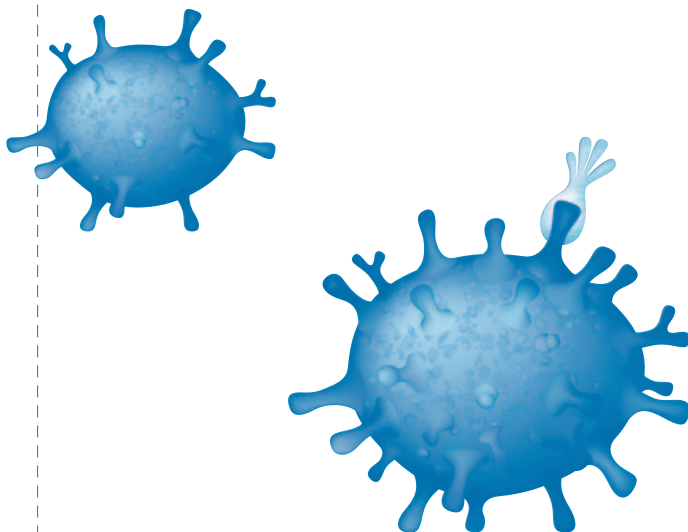


## Company Snapshot

Intercell AG is a biotechnology company focused on the research, development, manufacturing and commercialization of innovative vaccines for the prevention and treatment of infectious diseases, for which there exists a substantial unaddressed medical need. Intercell develops antigens and immunizers (adjuvants), which are derived from its proprietary technology platforms and has in-house GMP manufacturing capability. Intercell has strategic partnerships with a number of global pharmaceutical companies, including Novartis, Sanofi Pasteur S.A., Merck & Co., Inc., the Statens Serum Institut and Kirin Brewery Co., Ltd. Intercell has a broad development pipeline with a vaccine product candidate for Japanese Encephalitis in Phase III clinical trials, a vaccine product candidate for Hepatitis C in Phase II, partnered vaccine candidates for Tuberculosis and *S. aureus*, which are in Phase I, and more than five other product candidates focused on infectious diseases in pre-clinical development. Intercell is listed on the Vienna stock exchange under the symbol "ICLL".

For more information please visit:  
[www.intercell.com](http://www.intercell.com)



### KEY MILESTONES Q2 2006:

#### SIGNIFICANT CLINICAL PROGRESS

- » POSITIVE RESULTS FOR INTERCELL'S JAPANESE ENCEPHALITIS VIRUS VACCINE IN PIVOTAL CLINICAL PHASE III IMMUNOGENICITY TRIAL → PRODUCT CANDIDATE MEETS PRIMARY ENDPOINT
- » WITH THESE RESULTS PREPARATIONS FOR THE FILING PROCESS WITH THE UNITED STATES FOOD AND DRUG ADMINISTRATION (FDA) AND THE EUROPEAN MEDICINES AGENCY (EMA) ARE FULLY ON TRACK

#### IMPORTANT NEW PARTNERSHIPS:

- » ADDITIONAL STRATEGIC ALLIANCE WITH MERCK & CO., INC. (US) TO DEVELOP MONOCLONAL ANTIBODIES FOR THE TREATMENT OF SEVERE STAPHYLOCOCCUS AUREUS INFECTIONS
- » AGREEMENT WITH NOVARTIS FOR THE MARKETING AND DISTRIBUTION OF INTERCELL'S JAPANESE ENCEPHALITIS VIRUS VACCINE IN THE UNITED STATES, EUROPE AND CERTAIN OTHER MARKETS IN ASIA AND LATIN AMERICA

#### FINANCIAL STRENGTH FOR FURTHER GROWTH

- » REVENUES OF € 5.8 MILLION IN THE FIRST SIX MONTHS OF 2006 – UP 40.6 % COMPARED TO FIRST HALF YEAR 2005. NET LOSS OF € 12.3 MILLION IN FIRST HALF OF 2006 – UP 51 % COMPARED TO 2005 – PRIMARILY DRIVEN BY ADVANCEMENT OF JEV VACCINE DEVELOPMENT
- » SUCCESSFUL OFFERING OF EXISTING AND NEW SHARES WITH A TOTAL OFFERING VOLUME OF € 110.6 MILLION AND APPROX. € 55.4 MILLION NET PROCEEDS FOR INTERCELL (CLOSING JULY 4, 2006)
- » STRONG CASH POSITION OF APPROX. € 90 MILLION INCLUDING OFFERING PROCEEDS (CLOSING JULY 4)

#### FUTURE MILESTONES 2006

- » RESULTS FROM PIVOTAL JEV VACCINE SAFETY STUDY EXPECTED WITHIN THE NEXT WEEKS
- » START OF FURTHER PHASE II CLINICAL TRIAL IN CHRONIC HEPATITIS C PATIENTS AND RESULTS OF THE ONGOING COMBINATION TRIAL WITH INTERFERON/RIBAVIRIN
- » ADDITIONAL LICENSE DEALS EXPECTED FOR AIP AND VIP TECHNOLOGY PLATFORMS

## Q2 2006 Operational and Business Strategy Review

### » JAPANESE ENCEPHALITIS (IC51)

Over the last few months, Intercell's priority has been its ongoing global Phase III clinical trial program for its Japanese Encephalitis vaccine.

First analysis of the pivotal immunogenicity Phase III clinical data of Intercell's investigational Japanese Encephalitis virus (JEV) vaccine showed positive results and met its primary endpoint. The primary endpoint in this clinical trial comprised both, the amount of antibodies in the blood (expressed as geometric mean titer or GMT) and the percentage of subjects reaching protective antibody titers (known as the seroconversion rate).

The pivotal Phase III clinical trial program was designed to meet the regulatory requirements of Intercell's JEV vaccine in the United States, Europe and Australia. With these results, the filing process with the United States Food and Drug Administration (FDA) will start shortly to prepare for the market launch in the United States expected in 2007. The results of the ongoing pivotal safety study are expected within the next weeks.

In June 2006, Intercell has made significant progress in putting its global marketing distribution process for this product in place. Novartis was selected as Intercell's marketing and distribution partner for the JEV vaccine in the United States, Europe and certain other markets in Asia and Latin America. Intercell intends to initially commercialize the vaccine on its own in the armed forces and military personnel market. CSL Ltd. will be Intercell's distribution partner in Australia and Biological E Ltd. the designated distribution partner for India.

### » HEPATITIS C (IC41)

In previous months, Intercell has made significant progress in its clinical trial program for its therapeutic vaccine against Hepatitis C.

Results of the optimization trial clinical trial, which was completed in Q1 2006, indicate that IC41, when given in optimized route and schedule, is considerably more immunogenic than has been previously shown. Based on these results, Intercell is now finalizing all preparations to test IC41 with this optimized schedule in a further Phase II clinical trial in patients with chronic Hepatitis C. This study aims to show sustained reductions of HCV-RNA through IC41 stand-alone therapy in a substantial subset of patients. Intercell plans to start the clinical trial in Q3 2006, with initial results expected in mid-2007. Results of the ongoing clinical trial where IC41 is tested in a combination treatment with Interferon/ Ribavirin are expected for Q4 2006.

### » STRATEGIC PARTNERSHIPS & LICENSING

All existing strategic partnerships and collaborations that have resulted from Intercell's highly successful Antigen Identification Program (AIP®) and adjuvant (IC31™) technologies are moving forward according to schedule.

The following NEW PARTNERSHIPS were closed

- » Intercell entered a strategic partnership with Merck & Co., Inc. to develop human monoclonal antibodies against severe infections caused by *Staphylococcus aureus*, a bacterium, that causes severe hospital-acquired infections and has become increasingly resistant to a variety of antibiotics. This is an additional development program to the already existing alliance for the development of a *S. aureus* vaccine – which is currently in Phase I clinical trials.
- » Strategic alliance with Novartis for the marketing and distribution of Intercell's Japanese Encephalitis Vaccine in the United States, Europe and certain other markets in Asia and Latin America. Intercell will be entitled to milestone payments of up to € 37 million from Novartis – the payment schedule consists of three tranches. The first payment is expected in 2006. Furthermore, Novartis made an equity investment of € 30 million in shares of Intercell in the recently completed secondary public offering.

Intercell expects to enter into further product development collaborations resulting from its technologies and to achieve further milestones under its existing partnerships in 2006. The Company's major strategic partners are: Novartis (Switzerland, US), Merck & Co., Inc. (US), Sanofi Pasteur S.A. (France), Statens Serum Institut (Denmark), SciGen Ltd. (Australia/Singapore) and Kirin Brewery Co., Ltd. (Japan).

### » RESEARCH AND PRE-CLINICAL PRODUCTS

Currently, Intercell's pre-clinical programs primarily focus on vaccines against *Streptococcus pneumoniae* and Group A streptococcus infections with the goal of defining product candidates for future clinical development.

### » FINANCIALS

In July 2006, Intercell successfully completed its combined primary and secondary public offering:

- » The total offer proceeds amount to € 110.6 million with approx. € 55.4 million net proceeds for Intercell. The offer price per share was set at € 12.36.

Intercell intends to use the net proceeds of this offering for further organic growth of its promising vaccine pipeline, expansion of its manufacturing capacities and general corporate purposes.

## Q2 2006 Financial Review

### » REVENUES

In the three months ended June 30, 2006 Intercell's aggregate revenues were € 5.4 million, compared to € 3.8 million in the second quarter 2005. Revenues in the second quarter 2006 resulted primarily from collaborations and licensing and included a € 4.0 million initial payment from Kirin Brewery Co., Ltd. under a collaboration entered into in the first quarter 2006 for therapeutic antibody development against pneumococcal infections. Grant income decreased to € 0.1 million in the second quarter of 2006 from € 0.2 million in the second same period in 2005.

### » RESULTS OF OPERATIONS

Intercell's net loss in the second quarter 2006 was € 3.5 million compared to € 3.1 million in the second quarter of 2005. This increase was primarily due to higher research and development expenses, which were partly offset by an increase in revenues.

Research and development expenses in the quarter ended June 30, 2006 were € 6.6 million compared to € 5.3 million in the quarter ended June 30, 2005. Sales, general and administrative expenses slightly increased from € 2.0 million in the second quarter 2005 to € 2.1 million in the second quarter 2006.

Net other operating income was € 0.2 million in the three months ended June 30, 2006, compared to € 0.1 million in the same period of the previous year. Financial income, net of expenses decreased from € 0.3 million in the second quarter 2005 to zero in the second quarter 2006. This decrease was due to a decrease in funds held as interest bearing cash and a decrease in realized gains on securities, which were entirely offset by finance expenses.

Income tax expense of € 0.4 million in the quarter ended June 30, 2006 was due to Japanese withholding tax expense on licensing income from Kirin Brewery Co., Ltd.

## Half year 2006 Financial Review

### » REVENUES

Intercell's aggregate revenues increased from € 4.1 million in the first six months of 2005 to € 5.8 million in the same period of 2006, or by 40.6 percent. Revenues from collaborations and licensing increased by 51.5 percent, from € 3.6 million in the first half year 2005 to € 5.4 million in the first half year 2006. Grant income decreased by 29.5 percent, from € 0.6 million in the first six months of 2005 to € 0.4 million in the first six months of 2006.

### » RESULTS OF OPERATIONS

Intercell's net loss increased by € 4.2 million, or by 51.0 percent, to € 12.3 million in the six months ended June 30, 2006 from € 8.1 million in the first half of 2005.

The increase in net loss is mainly due to a 43.6 percent increase in research and development expenses from € 9.3 million in the first half of 2005 to € 13.4 million in the first half of the current year, which was primarily due to increased costs relating to the Phase III clinical trials for our JEV vaccine. General, selling and administrative expenses increased from € 3.6 million in the first half of the previous year to € 4.1 million in the same period of the current year, due to higher personnel expenses.

Total net operating expenses in the first half of 2006 went up by 35.2 percent to € 17.2 million from € 12.7 million in the first half of the previous year.

Financial income, net of expenses was € 0.5 million, in both, the current and the comparative period. The share of loss of associated companies of € 1.0 million in the six months ended June 30, 2006 resulted from an investment in Pelias Biomedizinische Entwicklung AG recorded in the first quarter.

### » CASH FLOW

Intercell's net cash used in operating activities for the half year ended June 30, 2006 and 2005 was € 11.6 million and € 11.0 million, respectively.

Net cash provided by investing activities was € 12.1 million in the first half year of 2006 whereas the net cash used in investing activities amounted to € 36.6 million in the first half of the previous year. Net cash provided by investing activities resulted primarily from the sale of available for sale financial assets in order to fund the company's business activities.

In the comparative period of 2005 the net cash used in investing activities was primarily due to investments in short-term securities of cash proceeds from Intercell's IPO. Purchases of property, plant and equipment increased from € 0.3 million in the first half year 2005 to € 2.8 million in the first half year 2006. This increase was primarily due to investments for upgrading Intercell's production facility in Livingston to the commercial production of the JEV vaccine.

Net cash provided by financing activities was € 4.9 million in the first half year 2006 compared to € 45.5 million in the first half year 2005, which resulted from the companies IPO in February 2005. In June 2006, Intercell conducted a public offering of shares which was fully completed on July 4, 2006. In the course of the offering 4,736,835 new shares and 3,068,165 existing shares were sold at an offer price of € 12.36 per share, resulting in net proceeds for the Company of approximately € 55.4 million. The mayor part of the proceeds from the offering will be recorded in the third quarter of 2006. The new shares started trading at the Vienna Stock Exchange on July 4, 2006.

As of June 30, 2006 Intercell had liquid funds of € 39.6 million of which € 10.7 million was cash and € 28.9 million was available for sale financial assets. Liquid funds, as adjusted for the net proceeds of the public offering completed on July 4, 2006, were approximately € 90.4 million.

## Consolidated Income Statements (unaudited)

€ in thousands (except per share amounts)	Three months ended June 30,		Half year ended June 30,	
	2006	2005	2006	2005
<b>Revenues</b>	<b>5,445</b>	<b>3,752</b>	<b>5,771</b>	<b>4,105</b>
Revenues from collaborations and licensing	5,380	3,551	5,382	3,553
Grant income	65	201	389	552
<b>Operating expenses</b>				
Research and development expenses	(6,587)	(5,326)	(13,413)	(9,342)
General, selling and administrative expenses	(2,149)	(1,959)	(4,117)	(3,597)
Income from transactions with associated companies	16	15	43	20
Other income/(expenses), net	200	138	286	198
<b>Operating loss</b>	<b>(3,075)</b>	<b>(3,380)</b>	<b>(11,430)</b>	<b>(8,616)</b>
Finance income/(expenses), net	(1)	286	491	479
Share of loss of associated companies	0	0	(950)	0
<b>Loss before income tax</b>	<b>(3,076)</b>	<b>(3,094)</b>	<b>(11,889)</b>	<b>(8,137)</b>
Income tax expense	(401)	(1)	(402)	(2)
<b>Loss for the period</b>	<b>(3,477)</b>	<b>(3,095)</b>	<b>(12,291)</b>	<b>(8,139)</b>
<b>Earnings per share</b> – basic and diluted	<b>(0.10)</b>	<b>(0.09)</b>	<b>(0.37)</b>	<b>(0.27)</b>

Prepared in accordance with IFRS

## Consolidated Balance Sheets (unaudited)

€ in thousands	June 30, 2006	December 31, 2005
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>10,033</b>	<b>7,809</b>
Property, plant and equipment	9,427	7,179
Intangible assets	98	108
Deferred income tax assets	280	283
Other non current assets	228	239
<b>Current assets</b>	<b>44,234</b>	<b>56,986</b>
Trade and other current assets	4,351	6,442
Available for sale financial assets	28,977	44,894
Restricted cash	237	366
Cash and cash equivalents	10,669	5,284
<b>TOTAL ASSETS</b>	<b>54,267</b>	<b>64,795</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's equity holders</b>	<b>43,685</b>	<b>49,653</b>
Share capital	147,507	141,099
Other reserves	178	263
Retained earnings	(104,000)	(91,709)
<b>LIABILITIES</b>		
<b>Non-current Liabilities</b>	<b>2,221</b>	<b>2,870</b>
Borrowings	2,221	2,870
<b>Current liabilities</b>	<b>8,361</b>	<b>12,272</b>
Trade and other payables	7,000	10,935
Borrowings	1,361	1,337
<b>Total liabilities</b>	<b>10,582</b>	<b>15,142</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>54,267</b>	<b>64,795</b>

Prepared in accordance with IFRS

# Consolidated Cashflow Statements *(unaudited)*

€ in thousands	Half year ended June 30,	
	2006	2005
<b>Cash flows from operating activities</b>		
Loss for the period	(12,291)	(8,139)
Depreciation and amortization	491	494
Stock-based compensation	905	716
Tax	404	2
Other adjustments for reconciliation to cash used in operations	788	(193)
Changes in working capital	(1,422)	(3,814)
<b>Cash used in operations</b>	<b>(11,125)</b>	<b>(10,934)</b>
Interest paid	(49)	(89)
Income tax paid	(404)	(2)
<b>Net cash used in operating activities</b>	<b>(11,578)</b>	<b>(11,025)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant & equipment, net	(2,806)	(319)
Purchases of intangible assets	(13)	(1)
Proceeds from sale (purchases) of available for sale financial assets, net	16,332	(36,612)
Investments in associated companies	(1,450)	-
Interest received	0	294
<b>Net cash provided by/(used in) investing activities</b>	<b>12,063</b>	<b>(36,638)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	5,503	46,335
Disposal of treasury shares	-	38
Repayment of borrowings	(642)	(843)
<b>Net cash provided by financing activities</b>	<b>4,861</b>	<b>45,530</b>
<b>Net increase (decrease) in cash</b>	<b>5,346</b>	<b>(2,133)</b>
Cash at beginning of the period	5,284	8,167
Exchange gains on cash	39	80
<b>Cash at end of the period</b>	<b>10,669</b>	<b>6,114</b>
<b>Cash, short-term deposits and marketable securities at end of period</b>	<b>39,646</b>	<b>65,966</b>

Prepared in accordance with IFRS