

## Company Snapshot

Intercell AG is a biotechnology company focused on the research, development, manufacturing and future 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, Wyeth, Sanofi Pasteur S.A., Merck & Co., Inc., Kirin Brewery Co., Ltd. and

the Statens Serum Institut. 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 Q3 2006:

#### LATEST ACHIEVEMENTS:

- » EU Grant of EUR 2.3 million to a consortium coordinated by Intercell for the development of an otitis media vaccine (middle ear infection) based on Intercell's AIP® technology
- » EU Grant of EUR 3.5 million for the development of a pandemic influenza vaccine that is based on Intercell's IC31™ adjuvant technology and will be executed by a consortium of academic and industrial players

#### TECHNOLOGIES CONTINUE TO CREATE VALUE AND PRIME PARTNERSHIPS

- » Strategic alliance with Merck to develop a prophylactic vaccine against Group A Streptococcus – USD 9.5 million upfront payment, up to USD 76 million milestone payments
- » Strategic alliance with Wyeth for the use of Intercell's IC31™ adjuvant in various selected infectious disease vaccines - payments up to USD 77 million
- » Collaboration with PATH for the development of Intercell's Streptococcus pneumoniae vaccine - USD 7.3 m initial funding

### SIGNIFICANT PROGRESS IN PRODUCT DEVELOPMENT

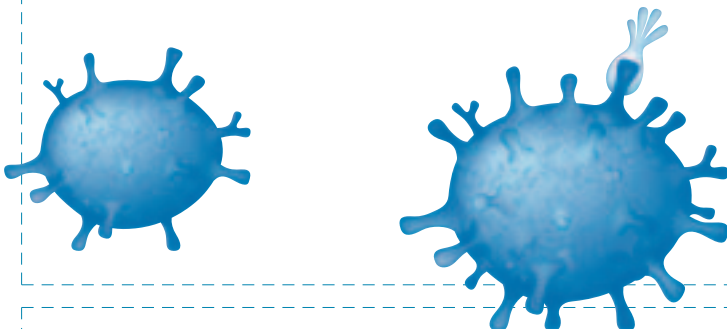
- » Positive results for Intercell's Japanese Encephalitis virus vaccine in the pivotal Phase III safety trial - Regulatory process towards a Biologics License Application (BLA) in the United States initiated
- » Intercell's therapeutic Hepatitis C T-cell vaccine advances to next Phase II clinical trial in chronic Hepatitis C patients using the optimized route and frequency of administration
- » Intercell terminates its preclinical collaborative development project for a therapeutic Hepatitis B vaccine in order to focus its partnership portfolio

### FINANCIALS:

- » Revenues were € 6.5 million for the first three quarters of 2006, compared to € 4.8 million in the same period of 2005 (up 35,4 percent)
- » Primarily due to advancement of JEV vaccine development, net loss increased by 21.8 percent to € 21.8 million in the nine months ended september 30, 2006 from € 17.9 million in the comparative period of 2005
- » Strong cash position of € 83.7 million – strong cash-flows from strategic partnerships expected in Q4 2006

### FINANCIAL CALENDAR 2007

- |                     |                            |
|---------------------|----------------------------|
| » March 5, 2007     | Preliminary FY 2006 report |
| » May 14, 2007      | Q1 report                  |
| » June 15, 2007     | Annual General Meeting     |
| » August 13, 2007   | Q2 report                  |
| » November 19, 2007 | Q3 report                  |



# Q3 2006 Operational and Business Strategy Review

## » JAPANESE ENCEPHALITIS (IC51)

Over the last few months, Intercell's has achieved significant progress in the development of its Japanese Encephalitis vaccine: The safety analyses for the pivotal Phase III safety trial of the investigational Japanese Encephalitis vaccine were positive. The pivotal Phase III safety trial was conducted at 39 study sites in Austria, Germany, Romania, Israel, Australia, New Zealand and the US, and included 2,683 randomized subjects. Major endpoints of this study were the frequency of adverse events in both test groups, as well as local tolerability findings in both groups. Analyses of this trial show that Intercell's investigational Japanese Encephalitis vaccine was systemically and locally well tolerated.

Furthermore, Intercell initiated the regulatory process towards a Biologics License Application (BLA) to the U.S. Food and Drug Administration (FDA). This significant event follows a successful pre-BLA meeting held between the FDA and Intercell on September 19, 2006, during which a detailed plan for the filing of the BLA was discussed and agreed upon. Initially, full reports of the completed pivotal clinical studies will be submitted to the FDA. Intercell expects to start clinical trials in endemic countries in 2007. Additionally, high priority is currently given to evaluate market opportunities in Japan.

Assuming approval of Intercell's BLA by the regulatory authorities, the first market launch for IC51 is anticipated for 2007.

## » HEPATITIS C (IC41)

In Q3 2006, Intercell started a Phase II – proof of concept – clinical trial for its therapeutic Hepatitis C T-cell vaccine. In this Phase II clinical trial, 50 chronic Hepatitis C patients who have not received a previous treatment will be vaccinated with IC41 using an optimized route and frequency of administration identified in the optimization study completed earlier this year. The study aims to show significant reductions of HCV-RNA through IC41 stand-alone therapy. Initial results of this Phase II study are expected for mid 2007.

Furthermore, Intercell is currently conducting a Phase II clinical trial in 24 patients, testing IC41 in combination with Interferon/Ribavirin standard therapy. Results of this study are expected by end 2006. This study aimed to investigate the concomitant use of IC41 together with standard HCV treatment (pegylated Interferon plus Ribavirin) with regards to immunological parameters. These parameters, especially HCV-epitop specific activated cytotoxic T-cells, are important to control the disease. Learning of this first-in-man combination treatment, together with learning of the ongoing study in treatment naïve subjects will then be applied in future studies.

## » STRATEGIC PARTNERSHIPS & LICENSING

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

In Q3 2006, Intercell entered the following strategic alliances:

Worldwide non-exclusive agreement with Wyeth for the use of Intercell's fully synthetic novel adjuvant IC31™ in various selected infectious disease vaccine programs:

» Up to USD 77 million in upfront, option and milestone payments as well as royalties on future product net sales

Strategic alliance with Merck to develop a prophylactic vaccine and antibody treatments against Group A Streptococcus:

» Intercell will provide to Merck certain Group A Streptococcus-specific antigens identified by its Antigen Identification Program (AIP®) that have promising profiles in preclinical vaccine models.

» Agreement includes a USD 9.5 million upfront payment, up to USD 76 million milestone payments as well as royalties on future net sales of the product

Grant Award by European Commission to a consortium coordinated by Intercell to develop a vaccine against the childhood disease otitis media (middle ear infection):

» The project was selected from almost 100 applications and evaluated very favorable in the highly competitive 4th call of the 6th Framework Program (FP6)

» The European Commission will support the project with € 2.3 million for the next three years

Grant Award of € 3.5 million by the European Commission for the development of a pandemic influenza vaccine that is based on Intercell's IC31™ adjuvant technology and will be executed by a consortium of academic and industrial players.

In order to focus its partnership portfolio, Intercell terminates the preclinical collaborative development project for a therapeutic Hepatitis B vaccine.

The Company's major strategic partners are: Novartis (Switzerland, US), Merck & Co., Inc. (US), sanofi pasteur S.A. (France), Statens Serum Institut (Denmark), Kirin Brewery Co., Ltd. (Japan), and Wyeth (US).

## » RESEARCH AND PRE-CLINICAL PRODUCTS

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

In Q3 2006, Intercell entered into collaboration with PATH for the development of Intercell's Streptococcus pneumoniae vaccine:

» USD 7.3 m initial funding through preclinical stage, leading to a vaccine candidate ready to enter clinical trials

» Intercell and PATH will develop the vaccine protecting against the majority of pneumococcal strains and make it available at an affordable cost for children in certain developing world countries. Intercell will retain all rights in developed countries.

## Financial Highlights

€ in thousands	9 months ended		Year ended
	Sept. 30, 2006	Sept. 30, 2005	Dec. 31, 2005
<b>Revenues</b>	<b>6,483</b>	<b>4,797</b>	<b>8,469</b>
<b>Net loss</b>	<b>(21,761)</b>	<b>(17,890)</b>	<b>(25,060)</b>
<b>Net operating cash flow</b>	<b>(18,059)</b>	<b>(16,166)</b>	<b>(24,023)</b>
<b>Cash and marketable securities, end of period</b>	<b>83,711</b>	<b>59,701</b>	<b>50,178</b>

## Q3 2006 Financial Review

### >> REVENUES

In the third quarter 2006, Intercell's aggregate revenues remained unchanged to the same period of 2005 at € 0.7 million. The composition of revenues changed slightly from € 0.1 million collaboration and licensing income and € 0.6 million grant income in the three months ended September 30, 2005 to € 0.2 million collaboration and licensing income and € 0.5 million grant income in the three months ended September 30, 2006.

### >> RESULTS OF OPERATIONS

Intercell's net loss decreased to € 9.5 million in the third quarter 2006 compared to € 9.8 million in the third quarter 2005. This decrease was primarily due to higher other operating and financial income, which was partly offset by an increase in research and development and sales, general and administrative expenses. Research and development expenses in the three months ended

September 30, 2006 slightly increased to € 8.3 million compared to € 8.2 million in the three months ended September 30, 2005. Sales, general and administrative expenses were € 3.0 million in the third quarter 2006 and € 2.4 million in the third quarter 2005. This increase was primarily due to higher social security contributions resulting from exercise of stock options, which were partly offset by the prior year effect of one-time consulting expenses in the comparative period of 2005.

Net other operating income was € 0.8 million in the three months ended September 30, 2006, compared to net other operating expenses of € 0.1 million in the same period of the previous year. This difference was primarily due to an increase in income from research tax credits. Financial income, net of expenses increased from € 0.2 million in the third quarter 2005 to € 0.4 million in the third quarter 2006.

## Nine Months 2006 Financial Review

### >> REVENUES

Intercell's aggregate revenues in the nine months ended September 30, 2006 were € 6.5 million, compared to € 4.8 million in the same period of 2005. This 35.4 percent increase was due to higher revenues from collaborations and licensing, which increased by 55.6 percent from € 3.6 million in the first nine months of 2005 to € 5.6 million in the first nine months of 2006. Grant income decreased by 25.0 percent, from € 1.2 million in the first three quarters of 2005 to € 0.9 million in the first three quarters of 2006.

### >> RESULTS OF OPERATIONS

Intercell's net loss increased by € 3.9 million, or by 21.8 percent, from € 17.9 million in the first nine months of 2005 to € 21.8 million in the nine months ended September 30, 2006.

This increase in net loss was due to an increase in research and development expenses of 24.6 percent and an increase in sales,

general and administrative expenses of 18.3 percent. Research and development expenses were € 21.8 million in the first three quarters of 2006, compared to € 17.5 million in the first three quarters of 2005. This increase was primarily due to increased costs relating to the Phase III clinical trials for Intercell's JEV vaccine. Sales general and administrative expenses increased to € 7.1 million in the nine months ended September 30, 2006 from € 6.0 million in the same period of 2005 and resulted primarily from higher personnel expenses. Other operating income net of other operating expenses increased to € 1.0 million in the nine months ended September 30, 2006, from € 0.1 million in the same period of the previous year, primarily due to higher income from research tax credits.

In aggregate, net operating expenses in the first three quarters of 2006 increased by 18.8 percent to € 27.8 million, from € 23.4 million in the first nine months of 2005.

Finance income, net of expenses increased from € 0.7 million in the first three quarters of 2005 to € 0.9 million in the first three quarters of the current year. The share of loss of associated companies of € 1.0 million in the nine months ended September 30, 2006 resulted from an investment in Pelias Biomedizinische Entwicklungs AG recorded in the first quarter.

#### >> CASH FLOW

Intercell's net cash used in operating activities for the nine months ended September 30, 2006 was € 18.1 million, compared to € 16.2 million for the nine months ended September 30, 2005.

Net cash used in investing activities was € 25.2 million in the first nine months of 2006 and € 30.5 million in the same period in 2005 and resulted primarily from investments of financing proceeds through purchase of available for sale financial assets for cash management purposes. Purchases of property, plant and equipment increased from € 1.2 million in the first three quarters of 2005 to € 4.0 million in the first three quarters of the

current year. This increase was primarily due to investments for upgrading Intercell's Scottish production facility for the commercial production of the JEV vaccine.

Net cash provided by financing activities was € 56.5 million in the first nine months of 2006, compared to € 45.0 million in the same period of 2005, which resulted primarily from Intercell's IPO. In the third quarter of the current year, Intercell completed a secondary public offering, in which it sold 4,736,835 new shares at an offering price of € 12.36 per share. Net proceeds from this offering were € 55.4 million, after deducting € 3.1 million in offering fees and expenses.

In addition, Intercell issued 1,118,830 new shares and re-issued 12,500 existing shares of treasury stock in the third quarter of 2006 in connection with the exercise of stock options, resulting in net proceeds of € 2.1 million.

As of September 30, 2006 Intercell had liquid funds of € 83.7 million of which € 18.5 million was cash and € 65.2 million was available for sale financial assets.

## Consolidated Income Statements (unaudited)

€ in thousands (except per share amounts)	Three months ended 30 September		Nine months ended 30 September	
	2006	2005	2006	2005
<b>Revenues</b>	<b>711</b>	<b>691</b>	<b>6,483</b>	<b>4,797</b>
Revenues from collaborations and licensing	208	51	5,591	3,604
Grant income	503	640	892	1,193
<b>Operating expenses</b>				
Research and development expenses	(8,345)	(8,175)	(21,758)	(17,517)
General, selling and administrative expenses	(3,022)	(2,385)	(7,140)	(5,982)
Income from transactions with associated companies	0	7	44	27
Other income/(expenses), net	753	(117)	1,038	80
<b>Operating loss</b>	<b>(9,903)</b>	<b>(9,979)</b>	<b>(21,333)</b>	<b>(18,595)</b>
Finance income/(expenses), net	434	228	925	707
Share of loss of associated companies	0	0	(950)	0
<b>Loss before income tax</b>	<b>(9,469)</b>	<b>(9,751)</b>	<b>(21,358)</b>	<b>(17,888)</b>
Income tax (expense)/income	(1)	(1)	(403)	(2)
<b>Loss for the period</b>	<b>(9,470)</b>	<b>(9,752)</b>	<b>(21,761)</b>	<b>(17,890)</b>
<b>Earnings per share for profit attributable to the equity holders of the company, expressed in Euro per share – basic and diluted</b>	<b>(0.24)</b>	<b>(0.29)</b>	<b>(0.62)</b>	<b>(0.57)</b>

Prepared in accordance with IFRS

## Consolidated Balance Sheets (unaudited)

€ in thousands	30 September 2006	31 December 2005
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>10,802</b>	<b>7,809</b>
Property, plant and equipment	10,121	7,179
Intangible assets	164	108
Deferred income tax assets	286	283
Other non current assets	231	239
<b>Current assets</b>	<b>88,712</b>	<b>56,986</b>
Trade and other current assets	4,764	6,442
Available for sale financial assets	65,249	44,894
Restricted cash	237	366
Cash and cash equivalents	18,462	5,284
<b>TOTAL ASSETS</b>	<b>99,514</b>	<b>64,795</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's equity holders</b>	<b>86,753</b>	<b>49,653</b>
Share capital	199,848	141,099
Other reserves	375	263
Retained earnings	(113,470)	(91,709)
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>	<b>1,914</b>	<b>2,870</b>
Borrowings	1,872	2,870
Other long term liabilities	42	0
<b>Current liabilities</b>	<b>10,848</b>	<b>12,272</b>
Trade and other payables	9,474	10,935
Borrowings	1,374	1,337
<b>Total liabilities</b>	<b>12,762</b>	<b>15,142</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>99,514</b>	<b>64,795</b>

Prepared in accordance with IFRS

# Consolidated Cashflow Statements (unaudited)

€ in thousands	Nine Months ended 30 September	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	(21,762)	(17,890)
Depreciation and amortization	752	738
Stock-based compensation	1,228	1,070
Tax	405	3
Other adjustments for reconciliation to cash used in operations	964	(388)
Changes in working capital	826	417
<b>Cash used in operations</b>	<b>(17,587)</b>	<b>(16,050)</b>
Interest paid	(67)	(113)
Income tax paid	(405)	(3)
<b>Net cash used in operating activities</b>	<b>(18,059)</b>	<b>(16,166)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant & equipment, net	(3,977)	(1,190)
Purchases of intangible assets	(95)	(1)
Proceeds from sale (purchases) of available for sale financial assets, net	(19,777)	(29,697)
Investments in associated companies	(1,450)	(32)
Interest received	79	416
<b>Net cash provided by/(used in) investing activities</b>	<b>(25,220)</b>	<b>(30,504)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of ordinary shares	57,498	46,335
Disposal of treasury shares	24	38
Repayment of borrowings	(987)	(1,385)
<b>Net cash provided by financing activities</b>	<b>56,535</b>	<b>44,988</b>
<b>Net increase (decrease) in cash</b>	<b>13,256</b>	<b>(1,682)</b>
Cash at beginning of the period	5,284	8,167
Exchange gains, (losses) on cash	(78)	74
<b>Cash at end of the period</b>	<b>18,462</b>	<b>6,559</b>
<b>Cash, short-term deposits and marketable securities at end of period</b>	<b>83,711</b>	<b>59,701</b>

Prepared in accordance with IFRS