



Intercell AG announces Q3 results and presents business update:

**All development programs on track – Profitability expected for full year 2007 – Very strong financial position  
– Management team appointed for next term**

#### **JAPANESE ENCEPHALITIS:**

- » Significant progress for leading prophylactic vaccine program on track for market approvals – Finalization of EMEA-MAA and US-BLA filing planned for December 2007
- » Results of Phase II for the vaccine in children expected in early 2008

#### **HOSPITAL ACQUIRED INFECTIONS:**

- » **S. aureus vaccine** - Start of clinical Phase II trial (with Merck & Co., Inc.) expected within the next weeks
- » **Pseudomonas vaccine** – preparations for start of clinical Phase II/III trials in 2008 on track

#### **HEPATITIS C:**

- » Statistically significant viral load reduction and good safety profile for therapeutic vaccine in interim analysis – full study data expected for Q1 2008
- » Further clinical program under co-development arrangement with Novartis likely to include IC31®

#### **IC31® & AIP®:**

- » **IC31® – Influenza vaccine:** All individuals within Phase I study vaccinated – results expected for early 2008
- » **IC31® – Tuberculosis vaccine:** Two further clinical trials with the Danish Statens Serum Institut (SSI) expected to start this year
- » **Pneumococcus vaccine:** Preparations for start of Phase I study in 2008 for novel protein-based vaccine on track

#### **NOVARTIS ALLIANCE:**

- » Transaction closed as announced in July – Total upfront contribution of EUR 270 m – Significant further milestones expected – 4.8 m shares issued to Novartis at a price of EUR 31.25 per share in September
- » Full implementation for improved Influenza vaccine and co-development in Hepatitis C started in Q4 2007

#### **STRONG FINANCIAL POSITION – PROFITABILITY EXPECTED FOR FULL YEAR 2007**

- » EUR 6.5 m net loss for Q3 2007 compared to EUR 9.5 m in Q3 2006. This means a decrease of 31.2 percent
- » Increase of aggregate revenues – EUR 7.4 m in Q3 2007 compared to EUR 0.7 m in Q3 2006
- » EUR 9.8 m R&D expenses in Q3 2007 – up 17.0 percent compared to Q3 2006 following progress of development programs
- » Strong cash position with EUR 218.6 m in liquid funds at September 30, 2007. Given already committed further payments, cash position at the end of 2007 expected to be approx. EUR 300 m
- » Full year 2007 expected to be profitable based on already confirmed licensing income. Growth in profitability expected for 2008

#### **MANAGEMENT BOARD:**

- » Management Board, with Gerd Zettlmeissl as Chief Executive Officer, Werner Lanthaler as Chief Financial Officer, and Alexander von Gabain as Chief Scientific Officer, appointed for a further three-year term. Thomas Lingelbach appointed as a new member of the Management Board as Chief Operating Officer



**Vienna (Austria), November 19, 2007** – Today, vaccine company Intercell AG (VSE: ICLL) announced its financial results for the third quarter 2007, and presented an update on the Company's development programs.

"Given the progress within our own development programs and the good news from our partners, we are very optimistic for the launch of our Japanese Encephalitis vaccine and the continued success of clinical programs and technologies. On these fundamentals it is a pleasure for us as the management team to continue our work to build shareholder value. We would like to thank our Supervisory Board and shareholders for their continued trust in our work," stated Gerd Zettlmeissl, Intercell's CEO.

## **Update on Development Programs**

### ***Japanese Encephalitis vaccine fully on track for US and EU approvals***

Intercell reports significant progress towards market approval of its prophylactic Japanese Encephalitis vaccine. With the successful production of three consistency batches in the final commercial manufacturing setting, the Biological License Application (BLA) to the US Food and Drug Administration and the Marketing Authorization Application (MAA) with European Agency for the Evaluation of Medical Products (EMA) are planned for December. All plans for the respective pre-approval inspections are well on track for the expected market approvals.

In order to enter the endemic markets and develop a pediatric application of the vaccine, Intercell has started Phase II clinical trials against the Japanese Encephalitis Virus in India, together with its partner Biological E. Ltd. (Hyderabad, India). This represents the first administration of Intercell's Japanese Encephalitis vaccine to children. The recruitment of this trial has been completed, and results of this Phase II trial are expected in early 2008.

Negotiations with the U.S. Army for the strategic supply immediately post-market-approval are progressing as planned.

### ***Leadership in vaccines against hospital-acquired infections expanded***

For the prophylactic *S. aureus* vaccine, Intercell expects its partner, Merck & Co. Inc., to start the clinical Phase II trial within the coming weeks. The study will aim for first efficacy data of a single dose vaccine to prevent serious *S. aureus* infections in hospital surgical settings. In previous Phase I studies the vaccine, consisting of a single highly conserved protein antigen, which was discovered by Intercell's Antigen Identification Program (AIP®), was shown to be safe and highly immunogenic with only a single dose application.

Preparations for the start of clinical Phase II/III trials in 2008 with our *Pseudomonas* vaccine are on track. Current activities include the manufacture and release of clinical trial materials and the planning of clinical settings for the prophylactic testing of the vaccine, with a focus on preventing *Pseudomonas* infections in intensive care units.

Enterococcus and Klebsiella – AIP® projects have been accelerated to confirm product candidates for clinical vaccine and antibody programs.

### ***Adding IC31® to Hepatitis C vaccine***

The interim analyses, in which 25 patients have already been evaluated, showed a statistically significant sustained HCV-RNA decline at two weeks after the last vaccination. The peptide-based therapeutic Hepatitis C vaccine is currently being tested in a study with more than 50 patients chronically infected with Genotype 1 of the Hepatitis C Virus, which is known to be very difficult to treat with Interferon/Ribavirin standard therapy.

The Phase II interim data opens the door for therapeutic vaccination in the arena of existing and future treatment options. Final results of the study, with the full set of patients and an analysis of HCV-RNA and T-cell response until 24 weeks after the last vaccination, are expected early in 2008.

Further clinical studies will very likely include vaccine formulations with IC31® as a significantly more potent adjuvant, and will be conducted under a co-development arrangement with Novartis.

### ***Tuberculosis vaccine enters further clinical trials***

The prophylactic vaccine against Tuberculosis (TB), based on a cooperation between Intercell and the Danish Statens Serum Institut (SSI) will enter further clinical trials in BCG-vaccinated and latently infected individuals. The development of an IC31® adjuvanted TB subunit vaccine is being supported by the European Union's "TB-VAC" program as well as AERAS. AERAS is a global TB vaccine foundation, which focuses on developing new vaccines against TB and ensuring their availability to the most exposed countries.

### ***Influenza vaccine – Phase I fully recruited, results of the study are expected early 2008***

Intercell's adjuvant IC31® is exclusively licensed to Novartis for the development of improved Influenza vaccines. The novel Influenza vaccine is currently being tested in a clinical Phase I trial, which is already fully recruited. A single dose of the IC31® adjuvanted Influenza vaccine was applied to healthy adult volunteers. The primary endpoints of the study comprise the safety and immunogenicity of the vaccine at day 21. Results are expected early 2008. The IC31® adjuvanted Influenza vaccine is expected to overcome several shortcomings of existing Influenza vaccines. Preclinical animal models already showed that the new vaccine could increase Haemagglutinin titers and specific T-cell responses significantly.

### ***Pneumococcus vaccine – Preparations for start of Phase I study in 2008 for novel protein-based vaccine on track***

Process development and manufacturing activities for Intercell's innovative Pneumococcus vaccine, which is comprised of three highly cross-protective protein antigens, are progressing according to plan. The program is funded by PATH, and clinical Phase I studies are expected to start in 2008.

## **Operational Business Review**

### ***Management Board***

Intercell's Supervisory Board confirmed the members of the existing Management Board, with Gerd Zettlmeissl as Chief Executive Officer, Alexander von Gabain as Chief Scientific Officer, and Werner Lanthaler as Chief Financial Officer, for the next three years.

Thomas Lingelbach has been appointed as a new member of Intercell's Management Board (Chief Operating Officer). Lingelbach, who joined Intercell in 2006, plays a pivotal role in leading Intercell's



further development towards industrialization and commercialization. He served as Vice President Industrial Operations in Chiron Vaccines' Executive Committee, and Managing Director for Chiron-Behring GmbH & Co KG, thereafter during the integration phase acting as General Manager and Managing Director for Novartis Vaccines' German Operations. Thomas has profound experience and a proven track record of key transformations and change management in vaccines product development, manufacturing, and quality and regulatory compliance.

### ***Intercell-Novartis partnership closed, subscription of new shares completed***

In July 2007 Intercell and Novartis signed a major strategic partnership to accelerate innovation in vaccines development in infectious diseases. The current operational focus in this partnership concentrates on the development of an improved Influenza vaccine comprising IC31® and the global co-development of a therapeutic Hepatitis C Vaccine. Full implementation has been started.

The upfront total cash contribution of EUR 270 m will further expand resources behind Intercell's key value drivers, and secures the Company's ability to independently achieve sustained aggressive growth. The total potential milestone and royalty payments under this agreement could result in multi-billion revenues for Intercell in the future. One part of this agreement, the subscription of new shares for EUR 150 m by Novartis, was completed in September. This increased Novartis' equity stake from 6.1% to 15.9%. The shares issued to Novartis carry no special rights compared to all other shares issued by Intercell. The new shares were issued at a price of EUR 31.25 per share.

## **Q3 Financial Review**

### ***Revenues***

Intercell's aggregate revenues increased from EUR 0.7 m in the third quarter 2006 to EUR 7.4 m in the third quarter 2007. In the nine months ended September 30, 2007 aggregate revenues were EUR 12.6 m compared to EUR 6.5 m in the same period of the previous year, which represents an increase of 93.7 percent. Revenues from collaborations and licensing in the first three quarters of 2007 increased by 54.4 percent to EUR 8.6 m, compared to EUR 5.6 m in the same period of 2006. This increase was primarily due to the recognition of EUR 5.7 m from a EUR 120 m upfront commitment under the strategic partnership with Novartis, concluded in July 2007. Grant income increased from EUR 0.9 m in the nine months ended September 30, 2006 to EUR 3.9 m in the nine months ended September 30, 2007. This increase was primarily due to a grant from PATH (Program for Appropriate Technology in Health) for Intercell's Pneumococcus vaccine project.

### ***Result of Operations***

Intercell's net loss in the third quarter 2007 decreased by 31.2 percent to EUR 6.5 m, compared to EUR 9.5 m in the third quarter 2006. This decrease was primarily due to the increase in revenues, and was partly offset by an increase in research and development expenses, an increase in general, selling, and administrative expenses, as well as an increase in other operating expenses.

The net loss in the first nine months of the year increased slightly from EUR 21.8 m in 2006 to EUR 22.1 m in 2007, or by 1.5 percent. Total net operating expenses in the nine months ended



September 30, 2007 went up by 27.9 percent to EUR 35.6 m from EUR 27.8 m in the same period of 2006. Financial income, net of expenses, was EUR 1.0 m in the nine months ended September 30, 2007, compared to EUR 0.9 m in the nine months ended September 30, 2006.

### **Cash Flow**

Net cash used in operating activities was EUR 27.5 m in the nine months ended September 30, 2007, compared to EUR 18.1 m in the nine months ended September 30, 2006. This increase was primarily due to changes in working capital.

Net cash used in investing activities was EUR 7.1 m in the first nine months of 2007 and EUR 25.2 m in the same period in 2006, and resulted primarily from investments into available for sale financial assets for cash management purposes. Purchases of property, plant, and equipment were EUR 3.3 m in the first three quarters of 2007, compared to EUR 4.0 m in the first three quarters of the previous year. The acquisition of Pelias Biomedizinische Entwicklungs AG in an all-share deal in 2007 added EUR 2.9 m in cash to Intercell's balance sheet and, according to IAS 36, led to the capitalization of in-process research and development projects of EUR 18.9 m.

Net cash provided by financing activities increased from EUR 56.5 m in the first nine months of 2006 to EUR 151.7 m in the same period of the current year. The financing proceeds in 2007 resulted principally from the issuance of 4.8 m new shares in the third quarter to Intercell's strategic partner Novartis at an issue price of EUR 31.25 per share and from net proceeds from the exercise of stock options of EUR 2.8 m.

As of September 30, 2007, Intercell had liquid funds of EUR 218.6 m, of which EUR 160.4 m was cash and EUR 58.2 m was available for sale financial assets. An additional EUR 80.0 m cash payment by Novartis is expected in November 2007.

### **Financial Highlights**

EUR thousands	3 months ended		9 months ended		Year ended
	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006	Dec. 31, 2006
Revenues	7,375	711	12,559	6,483	23,452
Net loss	(6,514)	(9,470)	(22,085)	(21,761)	(16,143)
Net operating cash flow	(12,978)	(6,481)	(27,480)	(18,059)	(7,979)
Cash and marketable securities, end of period	218,580	83,711	218,580	83,711	94,421

The unaudited condensed interim financial statements can be downloaded at [www.intercell.com](http://www.intercell.com).

### **About Intercell AG:**

Intercell AG is a growing biotechnology company which focuses on the design and development of novel vaccines for the prevention and treatment of infectious diseases with substantial unmet medical need. The Company develops antigens and adjuvants which are derived from its proprietary technology platforms, and has in-house GMP manufacturing capability. Based on these technologies,



Intercell has strategic partnerships with a number of global pharmaceutical companies, including Novartis, Merck & Co., Inc., Wyeth, sanofi pasteur, Kirin, and the Statens Serum Institut.

The Company's leading product, a prophylactic vaccine against Japanese Encephalitis Virus, successfully concluded pivotal Phase III clinical trials in 2006. The regulatory process toward a Biological License Application (BLA) to the U.S. Food and Drug Administration (FDA) has been initiated. The broad development pipeline includes a Pseudomonas vaccine in Phase II, a therapeutic vaccine for Hepatitis C Virus in Phase II, partnered vaccines for Tuberculosis and S. aureus which are in Phase I, and five products focused on infectious diseases in preclinical 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).

# Intercell AG

## Condensed Consolidated Interim Financial Statements as of 30 September 2007

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**CONDENSED CONSOLIDATED INTERIM  
INCOME STATEMENT (UNAUDITED)**

€in thousands (except shares and per share amounts)	Three months ended 30 September		Nine months ended 30 September	
	2007	2006	2007	2006
	<b>Revenues</b> .....	<b>7,375</b>	<b>711</b>	<b>12,559</b>
Revenues from collaborations and licensing .....	6,432	208	8,632	5,591
Grant income.....	942	503	3,927	892
<b>Operating expenses</b>				
Research and development expenses.....	(9,762)	(8,345)	(27,224)	(21,758)
General, selling and administrative expenses.....	(3,687)	(3,022)	(9,808)	(7,140)
Income from transactions with associated companies.....	-	-	-	44
Other income/(expenses), net.....	(682)	753	1,469	1,038
<b>OPERATING LOSS</b> .....	<b>(6,756)</b>	<b>(9,903)</b>	<b>(23,004)</b>	<b>(21,333)</b>
Finance income .....	540	462	1,768	1,020
Finance expenses.....	(254)	(27)	(774)	(94)
Share of loss of associated companies.....	-	-	-	(950)
<b>LOSS BEFORE INCOME TAX</b> .....	<b>(6,470)</b>	<b>(9,469)</b>	<b>(22,010)</b>	<b>(21,358)</b>
Income tax expense.....	(44)	(1)	(75)	(403)
<b>LOSS FOR THE PERIOD</b> .....	<b>(6,514)</b>	<b>(9,470)</b>	<b>(22,085)</b>	<b>(21,761)</b>
<b>Losses per share for loss attributable to the equity holders of the company, expressed in Euro per share (basic and diluted)</b> .....	<b>(0.16)</b>	<b>(0.24)</b>	<b>(0.56)</b>	<b>(0.62)</b>

**CONDENSED CONSOLIDATED INTERIM  
BALANCE SHEET (UNAUDITED)**

€in thousands	<b>30 September 2007</b>	<b>31 December 2006</b>
<b>ASSETS</b>		
<b>Non-current assets</b> .....	<b>31,758</b>	<b>11,439</b>
Property, plant and equipment .....	12,029	10,253
Intangible assets .....	19,079	157
Deferred income tax assets.....	412	283
Other non-current assets.....	238	746
<b>Current assets</b> .....	<b>229,985</b>	<b>100,024</b>
Trade receivables and other current assets .....	10,873	5,413
Available-for-sale financial assets.....	58,154	65,523
Restricted cash .....	532	190
Cash and cash equivalents.....	160,426	28,898
<b>TOTAL ASSETS</b> .....	<b>261,743</b>	<b>111,463</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's equity holders</b> .....	<b>234,208</b>	<b>93,082</b>
Share capital.....	358,743	200,266
Other reserves .....	5,735	668
Retained earnings .....	(130,270)	(107,852)
<b>LIABILITIES</b>		
<b>Non-current liabilities</b> .....	<b>11,051</b>	<b>2,399</b>
Borrowings.....	1,459	2,157
Other long term liabilities .....	5,287	242
Deferred income tax liabilities .....	4,304	-
<b>Current liabilities</b> .....	<b>16,485</b>	<b>15,982</b>
Trade and other payables .....	10,004	10,363
Borrowings.....	733	998
Deferred income.....	5,748	4,621
<b>Total liabilities</b> .....	<b>27,535</b>	<b>18,381</b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....	<b>261,743</b>	<b>111,463</b>

**CONDENSED CONSOLIDATED INTERIM  
CASH FLOW STATEMENT (UNAUDITED)**

€in thousands

	Nine Months ended 30 September	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period .....	(22,085)	(21,762)
Depreciation and amortization .....	1,224	752
Share-based compensation .....	2,440	1,228
Tax .....	176	405
Other adjustments for reconciliation to cash used in operations .....	(1,274)	964
Changes in working capital .....	(7,891)	826
<b>Cash used in operations .....</b>	<b>(27,410)</b>	<b>(17,587)</b>
Interest paid.....	(37)	(67)
Income tax paid.....	(33)	(405)
<b>Net cash used in operating activities .....</b>	<b>(27,480)</b>	<b>(18,059)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash acquired through acquisitions, net of cash consideration .....	2,880	-
Purchases of property, plant and equipment.....	(3,334)	(3,977)
Purchases of intangible assets .....	(61)	(95)
Purchases of available-for-sale financial assets.....	(10,100)	(36,109)
Proceeds from sale of available-for-sale financial assets .....	16,222	16,332
Investments in associated companies .....	-	(1,450)
Interest received .....	1,496	79
<b>Net cash used in investing activities .....</b>	<b>(7,103)</b>	<b>(25,220)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock, net of costs of equity transactions.....	152,445	57,498
Disposal of treasury shares.....	232	24
Repayment of borrowings .....	(996)	(987)
<b>Net cash generated from financing activities .....</b>	<b>151,681</b>	<b>56,535</b>
<b>Net increase in cash .....</b>	<b>131,304</b>	<b>13,256</b>
Cash at beginning of the period.....	28,899	5,284
Exchange gains/(losses) on cash .....	221	(78)
<b>Cash at end of the period .....</b>	<b>160,426</b>	<b>18,462</b>
<b>Cash, short-term deposits and marketable securities at end of the period.....</b>	<b>218,580</b>	<b>83,711</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF  
CHANGES IN EQUITY (UNAUDITED)**

€in thousands	<u>Share capital</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
<b>Balance at 1 January 2006</b> .....	<b>141,099</b>	<b>263</b>	<b>(91,709)</b>	<b>49,653</b>
Fair value gains on available-for-sale financial assets .....	-	102	-	102
Currency translation differences .....	-	10	-	10
Net income recognized directly in equity .....	-	112	-	112
Loss for the period .....	-	-	(21,761)	(21,761)
<b>Total recognized income/(expense) for the nine months ended 30 September 2006</b> .....	<b>-</b>	<b>112</b>	<b>(21,761)</b>	<b>(21,649)</b>
Employee share option plan: .....				
-value of employee services .....	1,228	-	-	1,228
-proceeds from shares issued .....	1,509	-	-	1,509
-treasury stock re-issued .....	24	-	-	24
Issuance of common stock, July 2006 .....	59,123	-	-	59,123
Cost of equity transaction .....	(3,135)	-	-	(3,135)
	58,749	-	-	58,749
<b>Balance at 30 September 2006</b> .....	<b>199,848</b>	<b>375</b>	<b>(113,470)</b>	<b>(86,753)</b>
<b>Balance at 1 January 2007</b> .....	<b>200,266</b>	<b>668</b>	<b>(107,852)</b>	<b>93,082</b>
Fair value losses on available-for-sale financial assets .....	-	(963)	-	(963)
Currency translation differences .....	-	54	-	54
Tax on transfers to income tax expense .....	-	-	179	179
Net income/(loss) recognized directly in equity .....	-	(909)	179	(730)
Loss for the period .....	-	-	(22,085)	(22,085)
<b>Total recognized expense for the nine months ended 30 September 2007</b> .....	<b>-</b>	<b>(909)</b>	<b>(21,906)</b>	<b>(22,815)</b>
Employee share option plan .....				
-value of employee services .....	1,372	-	-	1,372
-proceeds from shares issued .....	2,637	-	-	2,637
-treasury stock re-issued .....	232	-	-	232
Issuance of common stock, January 2007 .....	6,034	-	-	6,034
Issuance of common stock, September 2007 .....	150,000	-	-	150,000
Impact of business combinations .....	-	5,975	(513)	5,462
Cost of equity transactions .....	(1,797)	-	-	(1,797)
	158,477	5,975	(513)	163,939
<b>Balance at 30 September 2007</b> .....	<b>358,743</b>	<b>5,734</b>	<b>(130,270)</b>	<b>234,208</b>

**SELECTED NOTES TO THE CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS (UNAUDITED)****1. Basis of preparation**

These condensed consolidated interim financial statements of Intercell AG (the “Company”) for the nine months ended 30 September 2007 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34). The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

For ease of presentation, amounts have been rounded and, where indicated, are presented in thousand Euros. However, calculations are based on exact figures. Therefore, the sum of the numbers in a column of a table may not be equal to the total figure given for the column.

**2. Segment reporting**

The Company operates in a single business segment and in a single geographical segment.

**3. Fluctuation of revenues**

Revenues comprise grant income and revenues from collaborations and licensing. Revenues from collaborations and licensing have been fluctuating in the past and the Company expects that they will continue to fluctuate over different reporting periods in the future.

**4. Property, plant and equipment and intangible assets**

Additions to property plant and equipment and intangible assets during the interim reporting period resulted principally from investments in laboratory and manufacturing equipment and from the acquisition of a subsidiary, Pelias Biomedizinische Entwicklungs AG (“Pelias”, see note 7).

Assets acquired through the acquisition of Pelias include an in-process research and development project for a vaccine against Pseudomonas infections. This project has been re-valued and capitalized as intangible asset at its fair value at the date of acquisition of €18,923 thousand. Amortization of the intangible asset over its useful life will start when the vaccine has been fully developed and is ready for use. In accordance with IAS 36, the intangible asset will be tested for impairment on an annual basis and when there is an indication that it may be impaired.

**5. Share capital**

In January 2007, the Company issued 349,815 new shares with a market value of €6,034 thousand as consideration for the acquisition of 32,692 shares in Pelias (see note 7).

In July 2007, the Company issued 839,995 new shares and re-issued 120,000 existing shares of treasury stock in connection with the exercise of stock options, resulting in net proceeds of €2.8 million (see note 6).

In September 2007, the Company issued 4.8 million new shares to its strategic partner Novartis Pharma AG (see note 8) at an issue price of €31.25 per share. The subscription rights of existing shareholders were excluded.

Gross proceeds from this issuance of shares were €150.0 million, and net proceeds, after deducting €1.7 million in capital tax and offering expenses, were €148.3 million.

At 30 September 2007, the Company's total number of shares outstanding was 45,135,818 – excluding 385,889 shares held as treasury stock.

€in thousands\*

(except numbers of shares)	Shares issued			Treasury shares		Total share capital
	<i>Number of shares</i>	Capital paid in	Capital from ESOP**	<i>Number of shares</i>	Book value	
<b>Balance at 1 January 2006</b> .....	<b>33,676,232</b>	<b>136,281</b>	<b>5,319</b>	<b>518,389</b>	<b>(501)</b>	<b>141,099</b>
Employee share option plan:						
- value of employee services.....	-	-	1,228	-	-	1,228
- proceeds from shares issued .....	1,118,830	1,509	-	-	-	1,509
- re-issuance of treasury stock ....	-	12	-	(12,500)	12	24
Issuance of common stock,						
July 2006 .....	4,736,835	59,123	-	-	-	59,123
Cost of equity transactions .....	-	(3,135)	-	-	-	(3,135)
<b>Balance at 30 September 2006</b> ....	<b>39,531,897</b>	<b>193,790</b>	<b>6,547</b>	<b>505,889</b>	<b>(489)</b>	<b>199,848</b>
<b>Balance at 1 January 2007</b> .....	<b>39,531,897</b>	<b>193,791</b>	<b>6,965</b>	<b>505,889</b>	<b>(489)</b>	<b>200,266</b>
Employee share option plan:						
- value of employee services.....	-	-	1,372	-	-	1,372
- proceeds from shares issued .....	839,995	2,637	-	-	-	2,637
- re-issuance of treasury stock ....	-	116	-	(120,000)	116	232
Issuance of common stock,						
January 2007.....	349,815	6,034	-	-	-	6,034
Issuance of common stock,						
September 2007 .....	4,800,000	150,000	-	-	-	150,000
Cost of equity transactions .....	-	(1,797)	-	-	-	(1,797)
<b>Balance at 30 September 2007</b> ....	<b>45,521,707</b>	<b>350,780</b>	<b>8,336</b>	<b>385,889</b>	<b>(373)</b>	<b>358,743</b>

\* The financial information set forth in this table has been rounded for ease of presentation. Therefore, the rounded numbers presented as opening balance may be slightly different to the closing balance in previous financial reports.

\*\* Employee Share Option Plan

## 6. Share options

Options exercised in the nine months ended 30 September 2007 resulted in 839,995 shares being issued (2006: 1,118,830 shares) at an exercise price of between €1.85 and €8.50 per share. In addition, in the nine month ended 30 September 2007, 120,000 shares of treasury stock (recorded at an average historical price of €0.97 per share) were sold at an exercise price of between €1.85 and €5.50 per share for servicing the exercise of stock options.

In the nine months ended September 30, 2007, 60,000 share options with a strike price €23.95 per share and expiring in June 2012 were granted to members of the Supervisory Board.

#### **7. Business Combinations**

On 2 January 2007, the Company acquired all of the shares outstanding of Pelias that it did not already own in exchange for 349,815 new Intercell shares (see note 5), except for one share which was acquired in June 2007. Subsequently, Pelias was merged into the Company. Pelias, together with its subsidiaries, is engaged in research and development in the field of hospital infections.

Prior to the acquisition, the Company's interest in Pelias was 46.0 percent and had been accounted for using the equity method. From the date of acquisition, Pelias has been fully consolidated with its identifiable assets and liabilities which have been re-valued to their fair values at the date of acquisition. The Company's initial 46.0 percent interest was also re-valued directly into equity at the date of acquisition.

In the period from the date of acquisition to September 30, 2007, the acquired business contributed revenue of €864 thousand and a net loss of €923 thousand to the Company. The contribution would have been the same if the acquisition had occurred on January 1, 2007.

Details of net assets acquired and goodwill are as follows:

€in thousands

**Purchase consideration**

- Initial contributed capital at formation .....	32
- Additional capital calls .....	3,450
- Fair value of shares issued as consideration at acquisition date.....	6,034
- Direct costs relating to the acquisition .....	36
<b>Total purchase consideration .....</b>	<b>9,552</b>
Increase in fair value of net assets already held, net of initial contributed capital and capital-calls ...	2,492
Fair value of net assets acquired.....	(12,044)
<b>Goodwill.....</b>	<b>0</b>

The fair value of the Intercell shares issued as consideration for the acquisition of Pelias shares was determined using the last stock exchange price before the date of acquisition.

The assets and liabilities arising from the acquisition are as follows:

€in thousands	Fair value	Acquiree's carrying amount
Cash and cash equivalents (including restricted cash) .....	2,917	2,917
Property, plant and equipment and Software.....	152	152
Trade and other receivables .....	1,031	1,031
In-process Research and Development projects .....	18,924	-
Deferred tax liabilities .....	(4,304)	-
Trade and other payables.....	(2,792)	(2,792)
Borrowings (silent partnership) .....	(3,882)	-
<b>Net assets acquired .....</b>	<b>12,044</b>	<b>1,308</b>

Cash acquired through the acquisition, net of cash consideration paid, is as follows:

€in thousands

Cash consideration .....	(35)
Cash and cash equivalents in subsidiary acquired .....	2,917
<b>Cash inflow through acquisition .....</b>	<b>2,880</b>

**8. Collaboration agreements**

In July 2007, the Company entered into a major strategic partnership with Novartis Pharma AG to accelerate innovation in vaccines development in infectious diseases. The terms of the agreement include the grant of an exclusive license by the Company for the use of its adjuvant IC31<sup>®</sup> in influenza vaccines and of option rights for further licenses on IC31<sup>®</sup> and a broad range of un-partnered product candidates. In consideration, the Company will receive upfront license and options fees of €120 million and is entitled to substantial further payments upon achievement of certain development milestones as well as royalties on future product sales or a share of the profits. In addition, Novartis purchased 4.8 million new shares of the Company at an issue price of €31.25 per share, bringing Novartis' share of the voting rights in the Company to 15.9 %.

Upfront license fees will be recognized as revenue when the transfer of the underlying know-how has been completed, option fees will be recognized over the option periods. €5.6 million of option fees were recognized in the interim reporting period.

The condensed consolidated interim financial statements of Intercell AG as of 30 September 2007 and the report on review thereon have been issued in German language in accordance with section 85 (1) Stock Exchange Law. We draw attention to the fact that this translation into English is presented for convenience purposes only and that the German wording is the only legally binding version.

To the Management Board of  
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## Report on Review of Condensed Consolidated Interim Financial Statements as of 30 September 2007

### *Introduction*

We have reviewed the accompanying consolidated condensed balance sheet of INTERCELL AG (the “Company”) and its subsidiaries (“the Group”) as of 30 September 2007 and the related consolidated condensed statements of income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union applicable to interim financial reporting (‘IAS 34 – Interim Financial Reporting’). Our responsibility is to express a conclusion on these interim financial statements based on our review. This is a voluntary review. Therefore, as provided under Section 275 (2) of Austrian Company Code, a limitation of our liability, also with respect to third parties, was stipulated at the liability of EUR 2 million.

### *Scope of review*

We conducted our review in accordance with laws and regulations applicable in Austria and in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Managing Directors:** WP/StB Mag. Horst Bernegger, WP/StB Mag. Dr. Christine Catasta, StB Mag. Andrea Cerne-Stark, WP/StB Dkfm. Franz Gogg, WP/StB Mag. Gerhard Helmreich, WP/StB Mag. Doris Hirczy, WP/StB Mag. Karl Hofbauer, WP/StB Mag. Dr. Christian Kraetschmer, WP/StB Mag. Werner Krumm, WP/StB Mag. Christian Loicht, WP/StB Mag. Gerhard Margetich, WP/StB Mag. Dr. Aslan Milla, WP/StB Mag. Christian Neuherz, WP/StB Mag. Gerhard Prachner, WP/StB Dipl.Kfm.Univ. Dorotea-E. Rebmann, WP/StB Mag. Alexandra Rester, WP/StB Dr. Alexander Rudnay, WP/StB Dipl.Ing. Mag. Friedrich Rödler, WP/StB Mag. Jürgen Schauer, WP/StB Mag. Johannes Schmidbauer, WP/StB Mag. Helga M. Stangl, WP/StB Mag. Günter Wiltschek, WP/StB Mag. Felix Wirth  
**Domicile:** Vienna; **Company Register:** FN 88248 b, Commercial Court of Vienna; **DVR:** 0656071; **UID:** ATU16124600; **WT:** 800834

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements are not prepared, in all material respects, in accordance with 'IAS 34 – Interim Financial Reporting'.

Vienna, 9 November 2007

PwC Wirtschaftsprüfung GmbH  
Wirtschaftsprüfungs- und  
Steuerberatungsgesellschaft

signed:

Dorotea-E. Rebmann  
Austrian Certified Public Accountant

The condensed consolidated interim financial statements of Intercell AG as of 30 September 2007 and the report on review thereon have been issued in German language in accordance with section 85 (1) Stock Exchange Law. We draw attention to the fact that this translation into English is presented for convenience purposes only and that the German wording is the only legally binding version.