

Company Snapshot

Intercell AG is a growing biotechnology company which focuses on the design and development of novel vaccines for prevention and treatment of infectious diseases with substantial unmet medical need. The Company develops antigens and immunizers (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, sanofi pasteur, Kirin, Wyeth, and the Statens Serum Institut.

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

STATUS END 2006 - HIGHLIGHTS

A STRONG AND SOLID FINANCIAL POSITION AT YEAR END 2006 FOR FURTHER GROWTH

- » Technologies created significant value - revenues of € 23.5 million, an increase of 176.5 percent - driven by successful progress in existing and new partnerships
- » R&D costs of € 31.0 million enabled to drive all programs forward at full speed to create the maximum value out of the technology platforms
- » Strong cash position with € 94.4 million (plus € 2.9 million cash acquired with Pelias)
- » 35.9 percent decrease of net loss from € 25.1 million in 2005 to € 16.1 million in 2006 represents the turnaround of the previous trend of increasing annual losses

A CLEAR STRATEGY TO MARKET FOR THE FIRST PRODUCT – INTERCELL'S JAPANESE ENCEPHALITIS VACCINE

- » Pivotal Phase III immunogenicity and safety trials successfully completed
- » US regulatory filing initiated - full BLA submission expected in H2 2007
- » Joint launch activities with Novartis for private markets on track for H1 2008
- » Agreement with US military under negotiation – closing expected mid 2007
- » Start of pediatric trials in Asia planned for H1 2007
- » Partnership for Japan expected in 2007

BECOME A LEADER IN AN ATTRACTIVE NEW MARKET – NOSOCOMIAL INFECTIONS

- » S.aureus Vaccine partnered with Merck: Promising results in Phase I clinical studies – Phase II expected to start in 2007
- » Acquisition of Pelias completed – Pseudomonas Vaccine with promising Phase II data successfully integrated into Intercell's pipeline – Start of Phase II/III planned for end 2007/early 2008
- » Enterococcus/Klebsiella Vaccines: AIP program accelerated in order to establish most competitive franchise in industry

IMPORTANT MILESTONE AHEAD – INTERCELL'S HEPATITIS C VACCINE

- » Phase II "proof – of – concept" study fully recruited - first data expected for mid 2007
- » Success criteria defined: Significant and sustained reductions of viral load correlating with T-cell response
- » Forward strategies comprise options for mono- and/or combination therapies

BROADEN THE PIPELINE AND CREATE BUSINESS OPPORTUNITIES – INTERCELL'S TECHNOLOGIES

- » Data of IC31 in clinical proof of concept study in Tuberculosis Vaccine expected in H1 2007
- » Proof of safety and superior B- and T-cell profile of IC31 in humans
- » Advance Tuberculosis Vaccine into Phase II in H2 2007
- » Activities to advance the PATH funded universal protein based Pneumococcus Vaccine into Phase I by H1 2008 fully on track
- » AIP technology geared up to deliver further new product candidates for own development and/or partnering activities in 2007

SIGNIFICANT PROGRESS IN 2006

JAPANESE ENCEPHALITIS VACCINE:

- » Positive results of pivotal Phase III efficacy and safety trials
- » Marketing and Sales agreement with Novartis signed
- » Orphan Drug Status in Europe granted
- » US filing process initiated

HEPATITIS C VACCINE:

- » Route and frequency of administration optimized
- » Further clinical Phase II trial in chronic patients started and results from combination trial received

TECHNOLOGIES AND STRATEGIC ALLIANCES:

- » Clinical results from *S. aureus* Vaccine Phase I trial (Merck)
- » Strategic partnerships in the field of monoclonal antibodies (Pneumococcus Antibody with Kirin and *S.aureus* Antibody with Merck)
- » Additional deals and/or strategic partnerships resulting from proprietary technology platforms (Non-exclusive IC31™ agreement with Wyeth, Strategic partnership with Merck on Group A streptococcus Vaccine and Antibody)

Q4 2006 Operational and Business Strategy Review

» JAPANESE ENCEPHALITIS (JEV)

In the course of last year, Intercell has achieved significant progress in the development of its Japanese Encephalitis Vaccine: The pivotal Phase III immunogenicity and safety trials have been successfully completed, demonstrating a favorable safety and immunogenicity profile. Based on this data, the regulatory process towards a Biologics License Application (BLA) to the U.S. Food and Drug Administration (FDA) has been initiated.

In addition, Intercell's Japanese Encephalitis Vaccine was granted orphan drug status by the European Commission, resulting in ten years of market exclusivity in the European Union upon product registration.

In 2006, Intercell has made significant progress in putting its global marketing and distribution process in place for this product. Novartis was selected as Intercell's marketing and distribution partner in the United States, Europe and certain other markets in Asia and Latin America. CSL will be Intercell's distribution partner in Australia. Biological E is the designated distribution partner for India.

ANTICIPATED MILESTONES 2007:

- » Full BLA submission expected in H2 2007
- » Joint launch activities with Novartis for private markets on track for H1 2008
- » Negotiations for agreement with US military ongoing – closing expected mid 2007
- » Start of pediatric trials in Asia planned for H1 2007

» HEPATITIS C (IC41)

In 2006, Intercell has successfully advanced its therapeutic Hepatitis C T-cell Vaccine.

Based on the optimized route and frequency of administration, Intercell has started a Phase II – proof of concept – clinical trial in naive chronic Hepatitis C patients. Success criteria for this study, which is already fully recruited, include:

- » Significant and sustained reductions of viral load correlating with T-cell response
- » Forward strategies comprise options for mono- and/or combination therapies

First results of this Phase II study are expected in mid 2007. Furthermore, Intercell has completed a Phase II clinical trial, testing its vaccine in combination with Interferon/Ribavirin standard therapy. The study proved a good safety profile of the vaccine when used concomitantly with PegINF-RBV. Furthermore, the level of the critical T-cell response generated was similar to what had been seen in previous studies in which chronic patients or healthy subjects were vaccinated with the vaccine alone, indicating that there was no apparent interference of PegIFN-RBV with vaccine immunogenicity.

» NOSOCOMIAL INFECTIONS – PROGRESS IN VACCINE DEVELOPMENT

Nosocomial infections are bacterial or fungal infections which are acquired in a hospital setting and cause a variety of severe infections. There are an estimated 2 million infections every year and 100,000 annual deaths occur in the US alone leading to an annual cost burden of \$5-10Bn in the US; \$2Bn in the UK. Through the acquisition of Pelias and important progress in own and partnered programs (e.g. *S.aureus* Vaccine partnered with Merck), Intercell emphasized on expanding its leading position as technology provider and vaccine developer in the field of hospital-acquired infections:

- » Acquisition of **Pelias** successfully completed in early 2007, strengthening Intercell's product portfolio by a clinical Phase II stage *Pseudomonas* Vaccine candidate.
- » ***Pseudomonas* Vaccine** has shown promising data in completed Phase II trials. The vaccine, which was administered to 2nd and 3rd degree burn patients, was well tolerated; no adverse systemic or local events were observed. The vaccine showed indications of efficacy combined with a good antibody response. None of the patients developed *Pseudomonas* infections. The start of Phase II/III is planned for end 2007/early 2008.
- » ***S. aureus* Vaccine**: Phase I study is progressing with promising results. The recombinant subunit vaccine to prevent *Staphylococcus aureus* infections is based on a single conserved protein antigen discovered by Intercell's Antigen Identification Program (AIP®) and licensed to Merck&Co., Inc. (US) on an exclusive world wide basis in 2004. The start of Phase II is expected for 2007.
- » ***Enterococcus/Klebsiella* Vaccines**: Antigen Identification has been accelerated for these targets in order to strengthen the most competitive franchise in the industry.

» STRATEGIC ALLIANCES & 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 2006, INTERCELL ENTERED THE FOLLOWING NEW PARTNERSHIPS:

- » Strategic alliance with **Kirin Brewery Co., Ltd.** (Tokyo, Japan) to develop human monoclonal antibodies for the treatment of severe pneumococcal infections.
 - » Additional Strategic alliance with **Merck&Co., Inc. (US)** for the development of monoclonal antibodies against severe *S. aureus* infections.
 - » Strategic alliance with **Merck&Co., Inc. (US)** to develop prophylactic vaccine and antibody treatments against Group A *Streptococcus*.
 - » Worldwide non-exclusive agreement with **Wyeth** for the use of Intercell's fully synthetic novel adjuvant IC31™ in various selected infectious disease vaccine programs.
 - » Collaboration with **PATH** for the development of Intercell's *Pneumococcus* 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). In 2007, Intercell is expecting additional strategic license agreements for its technology programs.

» RESEARCH AND PRECLINICAL PRODUCTS

Currently, Intercell's pre-clinical programs primarily focus on vaccines against *Pneumococcus* and Group B *Streptococcus* and other bacterial infections with the goal of defining product candidates for future clinical development. In 2007 Intercell will especially focus on all activities necessary to start a Phase I clinical trial of its protein based *Pneumococcus* Vaccine in H1 2008.

PLEASE NOTE THAT THE ANNUAL REPORT 2006 INCLUDING AUDITED FINANCIAL STATEMENTS WILL BE AVAILABLE IN APRIL 2007, BOTH IN HARD COPY AND ELECTRONICALLY AT WWW.INTERCELL.COM

Q4 2006 Financial Review

» REVENUES

Intercell's aggregate revenues increased from € 3.7 million in the fourth quarter 2005 to € 17.0 million in the fourth quarter 2006. This strong increase was due to outstanding revenues from collaborations and licensing of € 16.0 million in the three months ended December 31, 2006, compared to € 2.7 million in the same period of the prior year. Revenues resulted primarily from a milestone payment of € 10.0 million under the marketing and distribution agreement for Intercell's Japanese Encephalitis Vaccine with Novartis, following submission of positive Phase III data, and from an up-front license payment, partially recognized as revenue in the fourth quarter 2006, from Merck&Co., Inc. under a new partnership to develop a prophylactic vaccine and antibody treatment against Group A *Streptococcus*. Grant income slightly increased from € 0.9 mil-

lion in the three months ended December 31, 2005 to € 1.0 million in the last three months of 2006. Intercell's revenues have been fluctuating in the past and are expected to continue to fluctuate in the near future as a result of the company's focus on a limited number of projects and partnerships with the leading pharmaceutical companies.

» RESULTS OF OPERATIONS

Driven by outstanding revenues from collaborations and licensing, Intercell could achieve its first profitable quarterly result in the fourth quarter 2006. Net income was € 5.6 million, compared to a net loss of € 7.2 million in the fourth quarter 2005. Research and development costs decreased from € 10.9 million in the fourth quarter 2005 to € 9.2 million in the same period in

2006 due to a decrease in clinical trial costs. General, selling and administrative expenses increased to € 3.4 million in the fourth quarter 2006 compared to € 3.0 million in the same period of the prior year. The increase was primarily due to higher personnel expenses and consulting fees.

Net other operating income in the last three months of 2006 was € 0.4 million, compared to € 3.0 million in the three months ended December 31, 2005. This decrease resulted from the prior year effect of higher R&D tax credits recognized in the fourth quarter 2005. Aggregate operating expenses, net of other operat-

ing income and income from transactions with associated companies increased from € 9.9 million in the three months ended December 31, 2005 to € 11.3 million in the three months ended December 31, 2006.

Financial income of € 0.4 million in the fourth quarter 2006 was unchanged compared to the same period in 2005. Share of loss of associated companies decreased from € 1.5 million in the last quarter of 2005 to € 0.5 million in the fourth quarter 2006 and resulted from a 46.0 percent shareholding in Pelias AG, which was fully acquired by Intercell subsequently to the balance sheet date.

Full year 2006 Financial Review

» REVENUES

Intercell's aggregate annual revenues increased from € 8.5 million in the year ended December 31, 2005 to € 23.5 million in the year ended December 31, 2006, or by 176.5 percent. This strong increase was due to higher revenues from collaborations and licensing resulting from new partnerships with pharmaceutical companies and from significant progress made in the existing collaborations. Revenues from collaborations and licensing were € 21.5 million in 2006, compared to € 6.3 million in 2005, which represents an increase of 241.3 percent. Grant income decreased by 9.5 percent from € 2.1 million in 2005 to € 1.9 million in 2006.

» RESULTS OF OPERATIONS

Intercell's net loss for the year ended December 31, 2006 was € 16.1 million, compared to € 25.1 million in 2005. This decrease by 35.9 percent represents a change in the trend of increasing net losses throughout the previous years. The decrease in net loss was due to the strong increase in revenues, while net operating expenses also continued to increase as a result of the progress of Intercell's development programs. Research and development costs increased from € 28.5 million in 2005 to € 31.0 million in 2006, or by 8.8 percent. General, selling and administrative expenses were € 10.5 million in 2006 and € 9.0 million in 2005, which represents an increase of 16.7 percent.

Net other operating income decreased from € 3.1 million in 2005 to € 1.4 million in 2006, primarily due to lower R&D tax credits. Income from transactions with associated companies was € 1.0 million in both, 2006 and 2005. Aggregate net operating expenses increased by 17.4 percent from € 33.3 million in 2005 to € 39.1 million in 2006.

Due to the higher level of cash and marketable securities, net financial income increased by 18.2 percent from € 1.1 million in 2005 to € 1.3 million in 2006. Income tax expense was € 0.4 million in the year ended December 31, 2006, which compares to a net tax credit of € 0.3 million in the prior year, which resulted from recognition of a deferred tax asset in a subsidiary.

» CASH FLOW AND CAPITAL RESOURCES

Intercell's net cash used in operating activities for the year ended December 31, 2006 was € 8.0 million compared to € 24.0 million in the previous year. This decrease in operating cash requirement was due to the lower net loss and the positive cash flow from reduction of net working capital.

Net cash used in investing activities of € 24.8 million in 2006 and of € 23.8 million in 2005 resulted primarily from investments in short-term available for sale financial assets of the cash proceeds from financing activities. Without giving effect to investments in and proceeds from sale of securities, net cash used in investing activities was € 5.0 million in the year ended December 31, 2006, compared to € 2.2 million in the year ended December 31, 2005. This increase was primarily due to investments into the company's manufacturing facility in Scotland for setting up the commercial production of the Japanese Encephalitis Vaccine.

Net cash provided by financing activities was € 56.5 million in the year ended December 31, 2006 and € 44.9 million in the year ended December 31, 2005.

Financing proceeds in 2005 resulted from Intercell's initial public offering (IPO) and financing proceeds in 2006 were primarily due to a secondary public offering completed in July 2006, which resulted in net proceeds to the company, of € 55.4 million after deducting underwriting commissions and offering expenses. In the offering 4,736,835 new shares were sold at an offering price of € 12.36 per share, in addition to 4,211,013 shares sold by existing shareholders.

As of December 31, 2006, Intercell had liquid funds of € 94.4 million of which € 28.9 million was cash and cash equivalents and € 65.5 million was available-for-sale securities.

Consolidated Income Statements (unaudited)

€ in thousands (except per share amounts)	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Revenues	16,970	3,672	23,452	8,469
Revenues from collaborations and licensing	15,958	2,741	21,549	6,345
Grant income	1,012	931	1,903	2,124
Operating expenses	(11,268)	(9,943)	(39,084)	(33,334)
Research and development expenses	(9,193)	(10,944)	(30,952)	(28,460)
General, selling and administrative expenses	(3,370)	(2,975)	(10,510)	(8,957)
Income from transactions with associated companies	907	1,006	951	1,033
Other income/(expenses), net	389	2,970	1,427	3,050
Operating income/loss	5,702	(6,271)	(15,632)	(24,865)
Finance income/(expenses), net	415	358	1,341	1,065
Share of loss of associated companies	(487)	(1,540)	(1,437)	(1,540)
Income (loss) before income tax	5,631	(7,452)	(15,728)	(25,340)
Income tax (expense)/income	(12)	283	(415)	280
Income (loss) for the period	5,618	(7,169)	(16,143)	(25,060)
Earnings per share for profit attributable to the equity holders of the company, expressed in Euro per share – basic	0.14	(0.22)	(0.45)	(0.79)

Prepared in accordance with IFRS

Consolidated Balance Sheets (unaudited)

€ in thousands	December 31, 2006	December 31, 2005
ASSETS		
Non-current assets	11,439	7,809
Property, plant and equipment	10,253	7,179
Intangible assets	157	108
Deferred income tax assets	283	283
Other non current assets	746	239
Current assets	100,024	56,986
Trade and other current assets	5,413	6,442
Available for sale financial assets	65,523	44,894
Restricted cash	190	366
Cash and cash equivalents	28,898	5,284
TOTAL ASSETS	111,463	64,795
EQUITY		
Capital and reserves attributable to the Company's equity holders	93,082	49,653
Share capital	200,266	141,099
Other reserves	668	263
Retained earnings	(107,852)	(91,709)
LIABILITIES		
Non-current liabilities	2,399	2,870
Borrowings	2,157	2,870
Other long term liabilities	242	0
Current liabilities	15,982	12,272
Trade and other payables	14,984	10,935
Borrowings	998	1,337
Total liabilities	18,381	15,142
TOTAL EQUITY AND LIABILITIES	111,463	64,795

Prepared in accordance with IFRS

Consolidated Cashflow Statements (unaudited)

€ in thousands

	Year ended December 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(16,143)	(25,060)
Depreciation and amortization	1,023	990
Stock-based compensation	1,646	1,421
Tax	418	(280)
Other adjustments for reconciliation to cash used in operations	1,505	826
Changes in working capital	4,158	(1,770)
Cash used in operations	(7,393)	(23,873)
Interest paid	(174)	(147)
Income tax paid	(412)	(3)
Net cash used in operating activities	(7,979)	(24,023)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant & equipment, net	(3,846)	(1,865)
Purchases of intangible assets	(108)	(2)
Proceeds from sale (purchases) of available for sale financial assets, net	(19,778)	(21,545)
Investments in associated companies	(1,450)	(1,040)
Interest received	383	688
Net cash used in investing activities	(24,799)	(23,764)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	57,497	46,518
Disposal of treasury shares	24	38
Proceeds from borrowings	285	0
Repayment of borrowings	(1,290)	(1,685)
Net cash provided by financing activities	56,516	44,871
Net increase (decrease) in cash	23,738	(2,916)
Cash at beginning of the period	5,284	8,167
Exchange gains (losses) on cash	(125)	33
Cash at end of the period	28,898	5,284
Cash, short-term deposits and marketable securities at end of period	94,421	50,178

Prepared in accordance with IFRS