



Intercell and Novartis form world-leading strategic partnership to drive vaccines innovation

- *Alliance creates opportunity for two strong innovators to combine development efforts in attractive areas*
- *Intercell to receive upfront payment of € 270 (\$ 360) million in upfront payments and equity investment granting Novartis option to non-partnered vaccine candidates and 4.8 million new shares*
- *Pipeline to benefit from Novartis Vaccines' phase III development capabilities and commercial strength*
- *Exclusive Partnership for IC31® in influenza vaccines*

Vienna/Basel, July 2, 2007:

Today, Intercell and Novartis announced that they have agreed to form a major strategic partnership to accelerate innovation in vaccines development in infectious diseases. This partnership is the first of its kind in the vaccines sector and provides both companies with a strong base for mutual value creation. An upfront total cash contribution of € 270 (\$ 360) million 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 the agreement could result in multi-billion revenues for Intercell in the future.

"This new partnership will enable us to further unlock the proven value existing in our vaccine technologies. In addition, we can pursue our business strategy of creating significant shareholder value as an independent company whilst continuing to develop one of the most innovative product pipelines in the industry," says Gerd Zettlmeissl, CEO of Intercell.

Strengthening market presence while accelerating independent growth strategies of both companies:

The partnership is centered around the shared vision of science in vaccines research, development and commercialization. It will focus on the development of bacterial vaccine products derived from Intercell's Antigen Identification Program (AIP®) as well as the use of Intercell's adjuvant technology (IC31®) in selected new vaccines.

IC31® Partnership in influenza:

Intercell's adjuvant IC31® will be **exclusively** licensed to Novartis for the development of improved Influenza vaccines. Novartis is a leader in the field of adjuvanted influenza vaccines as well as in the development of novel cell culture-derived influenza vaccines. IC31® will also be **non-exclusively** licensed to Novartis in other areas. Intercell retains the right to continue to





enter into partnerships for IC31® with third parties in infectious diseases, cancer, allergies, and other indications.

AIP® Derived Vaccine Partnership allows Co-Development or Licensing

As a result of this partnership, Novartis obtains opt-in rights for the development, manufacturing and commercialization of Intercell's non-partnered novel vaccine targets after the completion of Phase II clinical trials (or earlier at Novartis's election). Intercell retains the right to choose between a co-development/profit sharing or a licensing arrangement on pre-defined milestone and royalty payments for products that Novartis takes forward. The alliance does not affect Intercell's products and product candidates currently partnered with other companies.

Leading HCV Vaccine franchise:

The partnership includes a co-development and profit sharing arrangement to bring together both companies' programs in the field of therapeutic Hepatitis C vaccines with the aim to expand their combined leadership in this field.

Summary of Transaction Highlights:

- € 120 (\$160) million upfront license and option fees
- € 150 million (\$200) cash contribution through subscription of 4.8 million new shares, allowing Intercell to maintain full strategic flexibility. This will increase Novartis' equity stake from 6.1% current to 16.2% - without any controlling rights. The new shares will be issued at a price of € 31.25 (\$ 41,8) per share. This represents a 30% premium to the last closing price.
- An **exclusive** license for development of Intercell's IC31® adjuvant in novel influenza vaccines with milestones up to approx. € 100 (\$ 134) million during the development period and double-digit royalty rates tied to sales performance. In addition, Intercell will receive € 30 to € 60 (\$ 40 -\$ 80) million during the development period in upfront and milestones plus up to high single-digit royalties, tied to sales performance for **each** future license for IC31® in selected areas.
- Intercell retains the right at its election either to profit-share with Novartis on, or to receive potential milestones of € 120 (\$ 150) million after Phase II for the remaining development period and solid double-digit royalties tied to sales-performance, for each product for which Novartis opts in.

"We are pleased to be partnering with a company such as Intercell which shares our vision of science in vaccines R&D, and is widely viewed as having one of the most innovative pipelines in the industry" said Joerg Reinhardt, CEO of Novartis Vaccines and Diagnostics. "We look



forward to leveraging the Novartis development, manufacturing and commercialization expertise to help realize the full market potential of Intercell’s vaccine candidates.”

Consummation of the transaction is subject to Hart-Scott-Rodino Act clearance under U.S. law.

About Intercell’s Antigen Identification Program (AIP®)

Intercell’s Antigen Identification Program® identifies novel antigens from a variety of pathogens. Intercell focuses on those antigens that are believed to induce the strongest response from the human immune system, thus providing a viable basis for the further potential development of novel and more powerful prophylactic and therapeutic vaccines and antibody treatments. Through the AIP®, a large number of novel antigens relating to a wide variety of infectious diseases have been successfully identified. In addition, certain product candidates identified are currently partnered with either sanofi pasteur, or Merck & Co., Inc., while others form the basis for development projects that are planned to be either developed in-house or partnered with third parties.

About IC31®

Adjuvants enhance the effectiveness of vaccines. Existing adjuvants on the market induce antibodies but no or little T-cell immunity.

IC31® is an adjuvant inducing both T-cell and B-cell responses with a unique synthetic formulation which combines the immunostimulating properties of an anti-microbial peptide, KLK, and an immunostimulatory oligodeoxynucleotide, ODN1a. The two-component solution can be simply mixed with antigens, no conjugation is required.

Intercell currently has IC31® collaborations with a number of global vaccine companies, as well as small biotechs. These collaborations include - amongst others - a Tuberculosis vaccine partnered with the Danish Statens Serum Institut, which has successfully concluded Phase I clinical trials. As has already been previously seen in a variety of animal models, IC31® demonstrated an outstanding profile to stimulate a strong T-cell immune response in humans in this clinical trial.

About Influenza

The flu is a contagious respiratory illness caused by influenza viruses. The infection usually lasts for about a week. It is characterized by the sudden onset of high fever, myalgia, headache and severe malaise, non-productive cough, sore throat, and rhinitis. Between 1918 and 1919, the “Spanish Flu” killed more people in the world-wide pandemic than the First World War did.

Influenza viruses cause disease among all age groups. Rates of infection are highest among



children, but rates of serious illness and death are highest among persons aged >65 years and children aged <2 years. Influenza rapidly spreads around the world in seasonal epidemics and imposes a considerable economic burden in the form of hospital and other health care costs, as well as a loss of productivity.

In annual influenza epidemics 5-15% of the population are affected with upper respiratory tract infections. Hospitalization and deaths mainly occur in high-risk groups. Although difficult to assess, these annual epidemics are thought to result in between three to five million cases of severe illness and between 250,000 and 500,000 deaths every year around the world.

Vaccination is the principal measure for preventing influenza and reducing the impact of epidemics. The currently available, mostly not adjuvanted vaccine products have a suboptimal efficacy profile, especially in the population groups with the highest disease burden (elderly and infants). Furthermore, these vaccines only offer limited cross-protection against other influenza strains, with no or low T-cell responses. Due to these limitations, novel vaccines with improved efficacy and T-cell immunity are needed.

About Hepatitis C:

HCV is a major cause of chronic liver disease, including cirrhosis and liver cancer. According to the World Health Organization (WHO), approximately 170 million people are chronic HCV carriers (3% of the world's population) worldwide, including about 10 million Europeans, 3.9 million Americans and 2 million Japanese. 35,000 new infections occur in the United States alone each year. The substantial unmet medical need is underscored by the fact that each year 8,000 to 10,000 deaths and 1,000 liver transplantations in the United States are due to HCV.

Currently, there is no vaccine or immunotherapy against Hepatitis C and the infection can only be treated with a combination of Interferon and Ribavirin – a long-term therapy with limited efficacy and substantial side effects. It also gives rise to high treatment costs for patients. In 2002, worldwide sales of HCV drugs totaled at around EUR 2.8 billion, and demand has since grown significantly.

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 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 leading 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 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

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