intercell
SMART VACCINES

Intercell AG

Report on Q2 | H1 2012

INTERCELL AG ANNOUNCES Q2 AND H1 2012 FINANCIAL RESULTS AND PROVIDES OPERATIONAL UPDATE

IXIARO®/JESPECT® PRODUCT SALES OF EUR 10.1M MARK BEST QUARTERLY SALES SINCE PRODUCT LAUNCH

NET PROFIT OF EUR 1.0M IN Q2 - SOLID EXECUTION ON FINANCIAL PLAN

CASH POSITION STRENGTHENED THROUGH RECENT FINANCING

Continued positive JEV[1] sales performance

» IXIARO®/JESPECT® product sales increased by 43.5% to EUR 10.1m in Q2 2012 compared to EUR 7.0m in Q2 2011, confirming full year growth expectation.

Launch of the Japanese Encephalitis vaccine in India in preparation

» Partner Biological E. Ltd. is preparing to launch the Japanese Encephalitis vaccine in India under the brand name JEEV®. The vaccine aims at protecting small children and adults.

JEV for pediatric use – regulatory submissions filed

» The application for approval of IXIARO®/JESPECT® pediatric label has been submitted to EMA and FDA – the approval is expected in early 2013.

Financial results

» Total revenues increased by 19.7% to EUR 15.2m in Q2 2012 compared to EUR 12.7m in Q2 2011, driven by strong IXIARO®/JESPECT® sales revenues

» IXIARO®/JESPECT® product sales on track to meet full-year 2012 growth expectation of EUR 8-10m

» Strong IXIARO®/JESPECT® sales growth and reduced costs led to a net profit of EUR 1.0m in Q2 2012, compared to a net loss of EUR 1.6m in Q2 2011

» Total net loss in H1 2012 amounted to EUR 7.1m – full year 2012 net loss expected towards high end of previously communicated range of EUR 15-20m

» Cash position of EUR 66.6m at the end of Q2 2012, strengthened by a combined debt and equity financing of EUR 35.2m to secure Intercell's expected funding needs towards financial self-sustainability

Key Financial Information

EUR in thousands	3 months ended June 30, 2012	3 months ended June 30, 2011	6 months ended June 30, 2012	6 months ended June 30, 2011	Year ended Dec 31, 2011
Revenues	15,182	12,686	21,176	18,377	32,884
Net profit/(loss)	1,013	(1,608)	(7,064)	(12,866)	(29,265)
Net operating cash flow	(480)	(5,452)	(9,429)	(28,905)	(42,858)
Cash, short term deposits and marketable securities, end of period	66,574	79,649	66,574	79,649	50,859

1 Japanese Encephalitis vaccine

OPERATIONAL BUSINESS AND STRATEGY REVIEW

INTERCELL'S FIRST COMMERCIAL PRODUCT – A VACCINE TO PREVENT JAPANESE ENCEPHALITIS (JE) – CONTINUES ITS STRONG SALES PERFORMANCE, DELIVERING ON ITS CORNERSTONE ROLE FOR THE COMPANY´S STRATEGIC PLAN

Product sales continue to show significant growth

IXIARO®/JESPECT® product sales increased by 41.2% to EUR 14.7m in H1 2012 compared to EUR 10.4m in H1 2011. The growth in sales was mainly driven by increased adoption in key travel markets and supported by travel seasonality in the second quarter, which is usually the strongest part of the year.

IXIARO®/JESPECT® is the key driver of revenue growth for Intercell and the positive sales trend in H1 2012 underpins the growth expectations for 2012.

Product launch in India in preparation

Following the approval of a vaccine to protect small children and adults from Japanese Encephalitis (JE) by the Drugs Controller General of India (DCGI), Intercell's partner Biological E. Ltd. is manufacturing commercial launch stock at its facility in Hyderabad. Preparations are underway and the product launch is imminent. The product will be marketed under the trade name JEEV®. The vaccine is based on Intercell's technology, which was successfully used to gain product licensure of the adult vaccine in Europe, the U.S., Canada, Hong Kong, Singapore, Israel (IXIARO®), and Australia (JESPECT®).

Product for pediatric use – regulatory submissions filed

Following the successful completion of a pivotal Phase III trial in 1,869 children conducted in the Philippines and favorable interim data from a second Phase III trial in the EU, U.S., and in Australia, Intercell filed the submissions for approval of the IXIARO®/JESPECT® pediatric label extension to EMA and the FDA. The pediatric approval is expected in early 2013.

European Commission decision received for Article 20 procedure

Based on a positive CHMP (Committee for Medicinal Products for Human Use) opinion on the close-out of the EMA Article 20 procedure (Commission Regulation (EC) No 726/2004) initiated in June 2011 in connection with a voluntary batch specific recall in May 2011, Intercell received the formal satisfactory close-out by the European Commission in Q2 2012.

R&D PROGRAMS AND ACTIVITIES ARE PROCEEDING TO NEXT STAGES OF DEVELOPMENT

Pseudomonas aeruginosa vaccine candidate – a high unmet medical need

Intercell's investigational Pseudomonas aeruginosa vaccine is currently tested in a pivotal Phase II/III efficacy trial. The trial follows an exploratory Phase II study in which lower all-cause mortality rates were observed in the vaccine groups as compared to the control group.

The Phase II/III trial is a randomized, placebo-controlled double-blind study which will enroll a total of 800 ventilated intensive-care unit patients in approximately 40 study sites across five European countries. The study is sufficiently powered to show a clinically meaningful reduction in all-cause mortality with statistical significance between the vaccine and control group. The study enrollment is progressing and first interim data from a futility analysis (planned after approximately 400 patients enrolled) are expected in H2 2013.

The Pseudomonas aeruginosa program is part of the strategic alliance between Novartis and Intercell. The trial is being conducted by Intercell and costs are being shared between both parties.

Clostridium difficile vaccine candidate – leading cause of nosocomial Diarrhea

Intercell's vaccine candidate IC84 to prevent C. difficile infection is currently in the second part of the Phase I clinical trial (Phase Ib). This follows positive first data from a Phase I study (Phase Ia) in a population of healthy adults aged 18-65 years.

This Phase Ib trial will enroll 80 healthy elderly subjects above 65 years of age, as this age group represents the main target population for a C. difficile vaccine. Two vaccine concentrations will be tested with and without alum to confirm the vaccine dose and necessity of the adjuvant in the elderly. Compared to the Phase Ia part of the study in healthy young adults, the vaccination schedule has been modified to potentially optimize the immune response in elderly subjects who might respond differently to the vaccination due to their immunosenescence. The Phase Ib study is progressing according to plan and results are expected by mid 2013.

Additional vaccine candidates with high medical need are moving ahead

Tuberculosis: In addition to the Phase II study announced in January 2012, the Statens Serum Institut (SSI) and Intercell have initiated a second clinical Phase II study, which assesses the safety and immunogenicity of the vaccine candidate in healthy adolescents.

The randomized, observer-blinded clinical trial is evaluating the immunogenicity and safety of two different doses and two different vaccination schedules of an adjuvanted TB subunit vaccine candidate, H1IC (a combination of SSI's Ag85B-ESAT-6 and Intercell's IC31®), in healthy QuantiFERON negative male and female between 12 and 18 years.

The collaboration between SSI and Intercell in the field of Tuberculosis currently includes three clinical vaccine candidates, all formulated with Intercell's IC31® adjuvant: H1IC, now being tested in two Phase II studies (supported by the European and Developing Countries Clinical Trials Partnership EDCTP, the TuBerculosis Vaccine Initiative TBVI, and the South African Tuberculosis Vaccine Initiative SATVI), H4IC, currently in Phase I (partnered with Sanofi Pasteur and Aeras), and H56IC, developed with support of Grand Challenges in Global Health and currently in Phase I in partnership with Aeras and the South African Tuberculosis Vaccine Initiative.

Pandemic Influenza Vaccine Enhancement Patch (VEP): This ongoing Phase I study investigates Intercell's adjuvant patch (Vaccine Enhancement Patch – VEP) containing LT (a heat-labile toxin from E.coli) in combination with GSK's H5N1-pandemic antigen. The trial evaluates various combinations of antigen and adjuvant patch doses in regimes of one and two vaccine injections to confirm the mode of action and the potential value of "external" adjuvantation. Enrollment (including 300 healthy adults) for the confirmatory Phase I trial is completed. GSK's adjuvanted and licensed H5N1 vaccine will be used to provide a positive control in the trial. Final data are expected in H2 2012.

IC31® adjuvant: The Phase I clinical study (undisclosed indication) by Novartis with the adjuvant IC31® is ongoing. Furthermore, Intercell maintains research collaborations with different partners to evaluate IC31® in new vaccine formulations.

Pre-clinical vaccine candidate against Borrelia: Following Intercell's pipeline priorization, the pre-clinical lead vaccine candidate against Borrelia (Lyme Borreliosis) is heading towards pre-clinical proof of concept by the end of this year.

CORPORATE/ OTHER

Financing of EUR 35.2m to secure Intercell's funding needs into financial self-sustainability

Intercell successfully completed a financing transaction consisting of a EUR 20.0m secured loan ("Term Loan") provided by BB Biotech and an equity private placement ("Private Placement") of approximately EUR 15.2m. The Intercell shares were placed at a price of EUR 2.30, corresponding to the opening share price of Intercell shares on May 14, 2012. BB Biotech participated in the Private Placement with an investment of EUR 5.0m, corresponding to a number of 2,173,913 new shares. Intercell's biggest shareholder Novartis participated in the equity Private Placement pro rata and maintained its 14.9% stake in the Company.

The capital increase was completed on June 1, 2012 with the issuance of 6,591,742 new shares and trading on the Vienna Stock Exchange. The new shares represent 11.9% of Intercell's total share capital following the completion of the capital increase.

The number of shares of common stock with no par value of Intercell AG, each representing one vote, has increased to 55,183,961.

Patch vaccine collaboration with GSK

Following the termination of the collaboration on a Traveller's Diarrhea Patch vaccine in 2011, Intercell and GSK agreed in June 2012 to also terminate their collaboration on other potential patch vaccines concluded in 2009 (except the clinical trial agreement relating to the ongoing Phase I clinical study for the VEP in Pandemic Flu). GSK agreed to make a payment to Intercell to resolve a dispute in relation to an outstanding milestone payment.

COMPANY PROFILE

Intercell AG is a vaccine-biotechnology company with the clear vision to develop and commercialize novel immunomodulatory biologicals to prevent disease and reduce suffering across the world.

Intercell's vaccine to prevent Japanese Encephalitis (JE) is the Company's first product on the market. This is a next-generation vaccine against the most common vaccine-preventable cause of Encephalitis in Asia licensed in more than thirty countries.

The Company's technology base includes novel platforms, such as the patch-based delivery system and the proprietary human monoclonal antibody discovery system eMAB® (endogenous monoclonal antibody), in addition to well-established technologies

upon which Intercell has entered into strategic partnerships with a number of leading pharmaceutical companies, including GSK, Novartis, and Merck & Co., Inc.

The Company's pipeline of investigational products includes a development program for the pediatric use of Intercell's JE vaccine IXIARO®/JESPECT® in non-endemic markets and the development for endemic markets in collaboration with Biological E. of a comparable vaccine based on Intercell's technology. Furthermore, the portfolio comprises different product candidates in clinical trials: a Pseudomonas aeruginosa vaccine candidate (Phase II/III) partnered with Novartis, a vaccine to prevent Pandemic Influenza by combining the Company's Vaccine Enhancement Patch with an injected vaccine (Phase I), a vaccine candidate against infections with C. difficile (Phase I) as well as numerous investigative vaccine programs using the Company's IC31® adjuvant, e.g. in a Tuberculosis vaccine candidate (Phase II).

Intercell has in-house cGMP capability to manufacture both clinical and commercial biologicals at its fully owned site in Livingston, Scotland. The manufacturing site is currently dedicated to the production of the Company's novel Japanese Encephalitis vaccine. It is licensed and operates under a Manufacturing Authorisation granted by the Medicines and Healthcare products Regulatory Agency (MHRA) and it is also registered by the FDA. As such, the facility is subject to routine inspection by the MHRA, FDA and other Competent Authorities in connection with the manufacture, sale and supply of Japanese Encephalitis vaccine (trade name IXIARO®/JESPECT®).

Intercell is listed on the Vienna Stock Exchange under the symbol „ICLL" (U.S. level one ADR symbol „INRLY").

For more information, please visit: www.intercell.com

FINANCIAL REVIEW Q2 2012

Revenues

Intercell's product sales in Q2 2012 increased by 43.5% to EUR 10.1m compared to EUR 7.0m in Q2 2011, reaching the highest quarterly sales since the launch of IXIARO®/JESPECT® in 2009. Intercell's aggregate revenues in Q2 2012 increased by 19.7% to EUR 15.2m compared to EUR 12.7m in Q2 2011. Revenues from collaborations and licensing decreased by EUR 0.7m to EUR 4.9m. Grant income increased by EUR 0.1m to EUR 0.2m.

Operating results

Cost of goods sold in Q2 2012 increased by 53.4% to EUR 7.6m compared to EUR 5.0m in Q2 2011, while research and development (R&D) expenses decreased by 42.4% (EUR 2.9m) to EUR 3.9m compared to EUR 6.8m in Q2 2011. This decrease mainly resulted from cost reductions and R&D pipeline rationalization measures implemented in the course of 2011 as part of the Company's strategic renewal process.

General, selling and administrative expenses in Q2 2012 increased marginally by EUR 0.1m, or by 4.6%, to EUR 3.3m (Q2 2011: EUR 3.2m).

Net other operating income for Q2 2012 was EUR 2.1m compared to net other operating expense of EUR 0.2m in Q2 2011. In Q2 2011, the net other operating expenses included restructuring and impairment costs of EUR 1.0m.

Intercell's operating profit for Q2 2012 was EUR 2.4m, compared to an operating loss of EUR 2.4m in Q2 2011. This improvement was mainly a result of the reduction in operating expenses and an increase in revenues.

Net result, finance and tax

The net finance result of minus EUR 1.4m in Q2 2012 compared to a positive net finance result of EUR 0.8m in Q2 2011 was mainly due to a fair-value gain in connection with convertible notes in Q2 2011. No income tax expense or income was reported in Q2 2012 and Q2 2011.

The net profit in Q2 2012 was EUR 1.0m compared to a net loss of EUR 1.6m in Q2 2011, representing an improvement in the net result of EUR 2.6m. The net earnings per share in Q2 2012 were EUR 0.02 compared to a net loss per share of EUR 0.03 in Q2 2011.

FINANCIAL REVIEW H1 2012

Revenues

Intercell's aggregate revenues in H1 2012 were EUR 21.2m, representing an increase of 15.2% compared to the same period of the previous year. This increase was driven by strong product sales of IXIARO®/JESPECT® which reached EUR 14.7m in H1 2012,

representing a year-on-year growth of 41.2%. Revenues from collaborations and licensing decreased by EUR 1.3m to EUR 6.2m in H1 2012 and included a settlement payment agreed with GSK relating to an outstanding milestone payment. Grant income slightly decreased by EUR 0.1m to EUR 0.4m.

Operating results

Cost of goods sold for H1 2012 amounted to EUR 10.8m (H1 2011: EUR 7.8m) yielding a positive gross margin on the Japanese Encephalitis product.

R&D expenses for H1 2012 decreased by EUR 5.1m, or 34.9%, to EUR 9.6m (H1 2011: EUR 14.8m). The decrease mainly resulted from the implementation of a restructuring and cost-saving program and from timing effects in connection with clinical trial costs. General, selling and administrative expenses amounted to EUR 7.4m in H1 2012 and remained unchanged compared to H1 2011.

Net other operating income in H1 2012 was EUR 1.8m (H1 2011: net other operating expense of EUR 0.9m). Net other operating expense in H1 2011 included restructuring costs of EUR 1.0m.

Intercell's operating loss in H1 2012 decreased by 61.3% to EUR 4.8m (H1 2011: EUR 12.5m) reflecting consistent revenue growth from sales of IXIARO®/JESPECT® and significant progress in the reduction of operating expenses.

Net result, finance and tax

The net finance result was minus EUR 2.3m in H1 2012 (H1 2011: plus EUR 0.1m). No income tax expenses incurred in H1 2012 (H1 2011: EUR 0.5m).

The net loss in H1 2012 totaled EUR 7.1m (H1 2011: EUR 12.9m), and was EUR 5.8m, or 45.1% lower compared to H1 2011. The net loss per share in H1 2012 was EUR 0.14 (H1 2011: EUR 0.27).

Cash flows and liquidity

Intercell's net cash used in operating activities for the first six months of 2012 amounted to EUR 9.4m (H1 2011: EUR 28.9m) of which EUR 8.9m incurred in Q1 2012 and EUR 0.5m in Q2.

Cash generated from investing activities for H1 2012 amounted to EUR 6.8m (H1 2011: EUR 0.6m). Without giving effect to investments in and proceeds from sale of securities, net cash used in investing activities in H1 2012 was EUR 1.3m and included EUR 0.3m for purchases of property, plant and equipment and EUR 2.2m for purchases of intangible assets (capitalized development costs), which was partly offset by proceeds from sale of property, plant and equipment of EUR 0.9m.

Cash generated from financing activities in H1 2012 totaled EUR 27.8m (H1 2011: EUR 30.0m) and included net proceeds, after reduction of transaction costs, of EUR 19.7m from a loan provided by BB Biotech and of EUR 13.6m from the issuance of 6,591,742 new shares at an issue price of EUR 2.30 per share. For additional information, see "Selected Notes to the Condensed Consolidated Interim Financial Report" in this Interim Report. These financing proceeds were partly offset by repayments of the convertible note and a capital tax payment of EUR 1.5m in connection with an equity financing completed in 2007. The capital tax obligation had been recognized as a deduction from "Additional capital paid in" but has only now become due and payable.

Liquid funds at the end of June 2012, amounted to EUR 66.6m (December 31, 2011: EUR 50.9m) and included EUR 40.0m in cash and short-term deposits and EUR 26.5m in marketable securities.

KEY FINANCIAL INFORMATION

EUR in thousands	3 months ended June 30, 2012	3 months ended June 30, 2011	6 months ended June 30, 2012	6 months ended June 30, 2011	Year ended Dec 31, 2011
Revenues	15,182	12,686	21,176	18,377	32,884
Net profit/(loss)	1,013	(1,608)	(7,064)	(12,866)	(29,265)
Net operating cash flow	(480)	(5,452)	(9,429)	(28,905)	(42,858)
Cash, short-term deposits and marketable securities, end of period	66,574	79,649	66,574	79,649	50,859

RISK FACTORS

Pursuing biotech innovation includes the inherent risk of failure and the Company is therefore exposed to significant industry-specific risks. Intercell is subject to the additional risk that it has launched its first product and has not yet generated significant revenues from the commercial sale of the product. Moreover, the Company has incurred significant losses since its inception, is exposed to liquidity risk and may never sustain profitability. Management has undertaken considerable efforts to establish a risk management system in order to monitor and mitigate the risks associated with its business. However, the Company remains exposed to significant risks, in particular including the following:

The Company needs to gain further market acceptance for its first product in order to recover significant development costs that it has incurred. Intercell may be unable to successfully market and sell its Japanese Encephalitis vaccine and to develop and commercialize its product candidates as expected or at all. The ability to commercialize product candidates will depend upon the degree of market acceptance among Intercell's primary customers, the customers of Intercell's strategic partners and the medical community. The degree of market acceptance will depend upon many factors, including recommendations by global and local health organizations, reimbursements by health authorities and health insurers and payors, legislative efforts to control or reduce healthcare costs or reform government healthcare programs, and the ability of customers to pay or be reimbursed for treatment costs. Demand for Intercell's JE vaccine may be adversely affected by international, national or local events or economic conditions that affect consumers' willingness to travel, such as security concerns relating to threatened or actual terrorist attacks, armed conflicts or recent crises in the global economy.

The Company's manufacturing facility in Livingston, Scotland, is, and will continue to be, a significant factor in growing revenues from product sales and maintaining control over production costs. The manufacturing of biological materials is a complex undertaking and technical problems may occur. Intercell may experience delays, be unsuccessful in manufacturing or face difficulties in the ability to manufacture its Japanese Encephalitis vaccine according to market demands, at the expected quality and in sufficient quantities, which would have an adverse effect on the revenues and results of operations. Biological manufacturing is subject to government regulation and regular inspection. It is not possible to predict the changes that regulatory authorities may require during the life cycle of a novel vaccine. Such changes may be costly and may affect the Company's sales and marketing and product revenue expectations. The failure of our product manufacturing facility to comply with regulatory requirements, including current Good Manufacturing Practices (cGMP), could give rise to regulatory actions or suspension or revocations of manufacturing licenses and result in failure to supply. The risk of suspension or revocation of a manufacturer's license also applies to third party manufacturers and contractors with whom the Company contracts for manufacturing and services.

The Company's manufacturing facility in Livingston, Scotland, is the sole source of commercial quantities of the JE vaccine. The destruction of this facility by fire or other disastrous events would prevent the Company from manufacturing this product and therefore cause considerable losses. Its business requires the use of hazardous materials, which increases the Company's exposure to dangerous and costly accidents that may result in accidental contamination or injury to people or the environment. In addition, the business is subject to stringent environmental health and safety and other laws, regulations and standards, which result in costs related to compliance and remediation efforts that may adversely affect the Company's performance and financial condition.

The development success of several of Intercell's product candidates is dependent upon the performance of third-party manufacturers and contractors. Should these manufacturers and contractors fail to meet requirements, the development and commercialization of Intercell's product candidates may be limited or delayed, which would have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company's R&D activities, and in particular its late-stage clinical trial programs, are expensive and time-consuming. The result of these R&D activities is inherently uncertain and the Company may experience delays or failures in clinical trials. In order to continue to develop and commercialize its product candidates, the Company will require regulatory approvals from the U.S. Food and Drug Administration (FDA), European Medicines Agency (EMA), and other relevant regulatory agencies, which may be delayed or denied if the Company cannot establish the safety and efficacy of its product candidates. Adverse events or lack of efficacy in its clinical trials may force the Company to stop development of its product candidates, prevent regulatory approval of its product candidates, or impact its existing products which could materially harm its business.

The vaccine industry is highly competitive, and if the Company's competitors commercialize their products more quickly than Intercell or develop alternatives to Intercell's products or sell competing products at lower prices, the Company might lose a significant share of the expected market.

The Company's ability to commercialize its product candidates or to license its technologies partially depends on the ability to obtain and maintain adequate protection of its proprietary and intellectual property rights in the U.S., the EU, and elsewhere.

If the Company's efforts to protect its intellectual property rights are not sufficient, competitors may use its technologies to create competing products, erode the Company's competitive advantage, and capture all or part of its expected market share. The Company's efforts to avoid infringing, or to defend itself against any claims of infringement of the intellectual property rights of third parties may be costly and, if unsuccessful, may result in limited or prohibited commercialization of its product candidates or licensing of its technologies, subject it to royalties or other fees, or force it to redesign its product candidates.

The Company may be unsuccessful in establishing additional or maintaining existing, strategic partnerships and collaborations, which could significantly limit or delay its ability to develop and commercialize discoveries and inventions and realize results from its R&D programs and technologies. The success of strategic partnerships depends, in part, on the performance of the strategic partners, over which the Company has little or no control. Partners may elect to delay or terminate one or more of these strategic partnerships, develop products independently or in collaboration with a third party that could compete with the Company's product candidates, fail to commit sufficient resources to the development or commercialization of the product candidates which are subject to these partnerships or collaborations, or otherwise fail to perform as Intercell expects. If any of these risks materialize, our revenues from up-front license payments, milestone payments, and royalties generated from our product candidates that are subject to these partnerships and collaborations may be substantially reduced, which would have a material adverse effect on our business, financial condition, and results of operations.

Announcements regarding changes in the achievement of expected value inflection points for our existing development programs, delays in receiving regulatory approvals, obstacles hindering product commercialization or realignment of our operations could be perceived negatively by investors, consumers, or others in the market and thus damage our reputation, contribute towards a lower share price or otherwise adversely affect our business, financial condition, results of operations, and prospects.

Future business opportunities or a delay or failure in the development or commercialization of one or more of the Company's product candidates may result in requirements for additional funding, which may only be available, if at all, with unfavorable consequences or on unfavorable terms. If the Company is not able to fulfill investor or analyst expectations, its ability to raise financing may be adversely affected.

As Intercell evolves as a company, Intercell may not successfully manage future change. Any failure to appropriately monitor and manage the Company's development as well as any failure to successfully integrate businesses acquired in the future may have a material adverse effect on the Company's business, financial condition, and results of operations. If we undertake an acquisition, the process of integrating any newly acquired business, technology, service or product into our existing operations could be expensive and time consuming and may result in unforeseen operating difficulties and expenditures. The development and commercialization of the Company's product candidates may be delayed if Intercell is unable to recruit and retain qualified personnel or if any of the key members of the Management or scientific staff discontinues his or her employment or consulting relationship with the Company.

Impairment of intangible assets may lead to substantial losses in Intercell's profit and loss statement. The Company's balance sheet includes substantial intangible assets from development stage projects and technologies, which have been gained through business combinations. If the Company is not able to successfully develop these products and technologies and to generate future cash flows from such products and technologies, it may never be able to recover the consideration paid to acquire such intangible assets and, as a consequence, will have to impair the corresponding intangible asset. Such impairment of intangible assets would result in substantial losses in the profit and loss statement.

The use of any of our product candidates in clinical trials and the sale of any of our current or future products will subject us to potential liability or product liability claims. The Company's clinical trial liability and product liability insurance coverage may not be sufficient to cover liability or product liability claims, which Intercell may incur as a result of the use of its product candidates in clinical trials or the sale of current and future products, or may cease to be available at a reasonable cost in the future.

Recent turmoil in the credit markets and financial services industries, and the general deterioration in global economic conditions could decrease consumer discretionary spending and global growth rates, impair Intercell's ability to raise money to fund the expansion of Intercell's operations, adversely affect Intercell's partners' ability or willingness to further develop and commercialize our partnered products or impair the value of, or returns on, our investments. The Company is exposed to market risk, including price risk and cash flow and fair-value interest rate risk and it is exposed to credit risks.

In addition, operating results may be negatively affected by exposure to foreign exchange and other economic risk factors. Intercell AG may not be able to use tax loss carry-forwards to offset future taxable income and as a consequence may face higher future tax obligations than expected and/or may have to repay R&D tax credits.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT AS OF JUNE 30, 2012

Introduction

We have reviewed the accompanying condensed consolidated interim financial report of Intercell AG, Vienna, for the period from January 1 to June 30, 2012. The condensed consolidated interim financial report comprises the condensed consolidated interim balance sheet as of June 30, 2012, the separate condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim cash flow statement and the condensed consolidated interim statement of changes in equity for the period from January 1 to June 30, 2012, as well as the explanatory notes.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial report in accordance with the IFRS for Interim Financial Report as adopted by the EU.

Our responsibility is to express a conclusion on this condensed consolidated interim financial report based on our review.

Scope of review

We conducted our review in accordance with laws and regulations applicable in Austria and in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of Interim Financial Report 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 and involves less documentation than an audit 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial report is not prepared, in all material respects, in accordance with the IFRS for interim financial reporting as adopted by the EU.

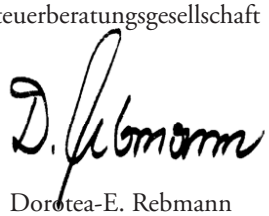
Comment on the semi-annual management report for the Group and on the declaration of the legal representatives in accordance with Section 87 BörseG (Austrian Stock Exchange Law)

We have read the semi-annual management report for the Group and assessed whether it did not include any obvious inconsistencies with the condensed consolidated interim financial report. We are of the opinion that the semi-annual management report for the Group does not contain any obvious inconsistencies with the condensed consolidated interim financial report.

The semi-annual financial statements contain the declaration of the legal representatives as stipulated by Section 87 Paragraph 1 No. 3 BörseG.

Vienna, August 3, 2012

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft



Dorotea-E. Rebmann
Austrian Certified Public Accountant

The condensed consolidated interim financial report of Intercell AG as of June 30, 2012 and the report on review thereof have been issued in German in accordance with Article 85 (1) Stock Exchange Act. 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.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (UNAUDITED)

EUR in thousands	Three months ended June 30,		Half year ended June 30,	
(except per share amounts)	2012	2011	2012	2011
Revenues	15,182	12,686	21,176	18,377
Product sales	10,087	7,029	14,654	10,378
Revenues from collaborations, licensing and grants	5,095	5,657	6,522	8,000
Cost of goods sold	(7,600)	(4,955)	(10,778)	(7,821)
GROSS PROFIT	7,582	7,731	10,398	10,556
Research and development expenses	(3,926)	(6,820)	(9,612)	(14,756)
General, selling and administrative expenses	(3,304)	(3,158)	(7,401)	(7,396)
Other income and expenses, net	2,064	(173)	1,789	(870)
OPERATING PROFIT/(LOSS)	2,415	(2,421)	(4,826)	(12,466)
Finance income	222	2,609	330	2,193
Finance expenses	(1,624)	(1,759)	(2,604)	(2,118)
PROFIT/(LOSS) BEFORE INCOME TAX	1,014	(1,572)	(7,101)	(12,391)
Income tax	(1)	(36)	36	(475)
PROFIT/(LOSS) FOR THE PERIOD	1,013	(1,608)	(7,064)	(12,866)
Earnings/(Losses) per share for profit/(loss) attributable to the equity holders of the Company, expressed in EUR per share				
- basic	0.02	(0.03)	(0.14)	(0.27)
- diluted	0.02	(0.03)	(0.14)	(0.27)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

EUR in thousands	Three months ended June 30,		Half year ended June 30,	
	2012	2011	2012	2011
PROFIT/(LOSS) FOR THE PERIOD	1,013	(1,608)	(7,064)	(12,866)
Other comprehensive income/(loss)				
Fair value gains on available-for-sale financial assets	258	916	591	1,298
Currency translation differences	(1,286)	219	(420)	586
Other comprehensive income/(loss) for the period, net of tax	(1,029)	1,135	171	1,884
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	(15)	(473)	(6,894)	(10,981)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)

EUR in thousands	June 30, 2012	December 31, 2011
ASSETS		
Non-current assets	116,807	118,109
Property, plant and equipment	42,339	44,220
Intangible assets	62,936	62,304
Other non-current assets	11,425	11,481
Deferred income tax assets	107	104
Current assets	90,829	73,841
Inventory	9,214	9,737
Trade receivables and other current assets	15,040	13,245
Available-for-sale financial assets	26,535	34,486
Cash and short-term deposits	40,039	16,373
TOTAL ASSETS	**207,635**	**191,950**
EQUITY		
Capital and reserves attributable to the Company's equity holders	98,372	92,328
Nominal capital	55,184	48,592
Additional capital paid in	415,406	409,061
Other reserves	23,849	23,678
Retained earnings	(396,067)	(389,003)
LIABILITIES		
Non-current liabilities	77,519	65,340
Borrowings	63,744	50,105
Other long-term liabilities	-	152
Deferred income	13,775	15,083
Current liabilities	31,744	34,281
Trade and other payables and accruals	11,111	14,712
Borrowings	16,861	13,842
Deferred income	3,187	3,337
Provisions	585	2,389
Total liabilities	109,263	99,621
TOTAL EQUITY AND LIABILITIES	**207,635**	**191,950**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED)

EUR in thousands	Half year ended June 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(7,064)	(12,866)
Depreciation and amortization	3,636	3,806
Share-based payments	(635)	(287)
Income tax	(36)	475
Other adjustments for reconciliation to cash used in operations	632	(541)
Changes in working capital	(4,895)	(18,917)
Cash used in operations	(8,362)	(28,329)
Interest paid	(1,065)	(449)
Income tax paid	(2)	(127)
Net cash used in operating activities	(9,429)	(28,905)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of other businesses	-	(5,000)
Purchases of property, plant and equipment	(254)	(551)
Proceeds from sale of property, plant and equipment	889	16
Purchases of intangible assets	(2,204)	(4,315)
Purchases of financial assets	(15,002)	-
Proceeds from sale of financial assets	23,119	10,038
Interest received	231	362
Net cash generated from investing activities	6,777	550
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of costs of equity transactions	12,120	-
Proceeds from issuance of convertible bonds, net of transaction costs	-	32,417
Repayment of convertible bonds	(3,800)	-
Proceeds from other borrowings	20,212	230
Repayment of other borrowings	(768)	(2,598)
Net cash generated from financing activities	27,763	30,049
Net increase in cash	25,112	1,694
Cash at beginning of the period	16,356	26,904
Exchange gains/(losses) on cash	(1,446)	1,094
Cash at end of the period	40,022	29,692
Cash, short-term deposits, and marketable securities at end of the period	66,574	79,649

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

EUR in thousands	Nominal capital	Additional capital paid in	Other reserves	Retained earnings	Total equity
Balance as of January 1, 2011	**48,592**	**407,965**	**24,262**	**(359,737)**	**121,082**
Total comprehensive loss for the first half year 2011	-	-	1,884	(12,866)	(10,981)
Employee share option plan					
- value of employee services	-	(287)	-	-	(287)
Option premium on convertible note	-	-	35	-	35
Cost of equity transactions, net of tax	-	-	(1)	-	(1)
	-	**(287)**	**1,919**	**(12,866)**	**(11,233)**
Balance as of June 30, 2011	**48,592**	**407,678**	**26,181**	**(372,603)**	**109,848**
Balance as of January 1, 2012	**48,592**	**409,061**	**23,678**	**(389,003)**	**92,328**
Total comprehensive loss for the first half year 2012	-	-	171	(7,064)	(6,894)
Employee share option plan					
- value of employee services	-	(635)	-	-	(635)
Issuance of common stock, June 2012	6,592	8,569	-	-	15,161
Cost of equity transactions, net of tax	-	(1,589)	-	-	(1,589)
	6,592	**6,345**	**171**	**(7,064)**	**6,043**
Balance as of June 30, 2012	**55,184**	**415,406**	**23,849**	**(396,067)**	**98,372**

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT (UNAUDITED)

1. Basis of preparation

This condensed consolidated interim financial report of Intercell AG (hereafter referred to as "Company") for the first half year ended June 30, 2012, has 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 consolidated annual financial statements for the year ended December 31, 2011. This condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2011.

For ease of presentation, numbers have been rounded and, where indicated, are presented in thousand EUR. However, calculations are based on exact figures. Therefore, the sum of the numbers in a column of a table may not conform to the total figure displayed in the column.

2. Segment reporting

The Company operates in one reportable segment, which comprises the development, production and marketing of vaccines. The Company identified the Management Board as the "chief operating decision maker". The Management Board reviews the consolidated operating results regularly to make decisions about resources and to assess overall performance.

3. Fluctuation of revenues

Revenues comprise grant income, revenues from collaborations and licensing and product sales for the first product, which was approved in the first quarter of 2009. Revenues have been fluctuating in the past and the Company expects that they will continue to fluctuate over different reporting periods in the future.

4. Other income/(expenses), net

Other income, net of other expenses includes re-structuring and impairment in the prior year.

5. Nominal capital and additional capital paid in

EUR in thousands (except numbers of shares) Balance sheet item	Shares issued				Treasury shares		Total nominal capital and additional capital paid in
	Nominal capital		Additional capital paid in				
	Number of shares	Nominal capital	Share premium	Capital from ESOP*	*Number of shares*	Book value	
Balance at January 1, 2011	***48,592,219***	**48,592**	**385,234**	**23,023**	***301,748***	**(292)**	**456,557**
Employee share option plan: - value of employee services	-	-	-	(287)	-	-	(287)
Balance at June 30, 2011	***48,592,219***	**48,592**	**385,234**	**22,736**	***301,748***	**(292)**	**456,271**
Balance at January 1, 2012	***48,592,219***	**48,592**	**385,173**	**24,179**	***301,748***	**(292)**	**457,653**
Employee share option plan: - value of employee services	-	-	-	(635)	-	-	(635)
Issuance of common stock, June 2012	*6,591,742*	6,592	8,569	-	-	-	15,161
Cost of equity transactions	-	-	(1,589)	-	-	-	(1,589)
Balance at June 30, 2012	***55,183,961***	**55,184**	**392,153**	**23,544**	***301,748***	**(292)**	**470,590**

* Employee share option plan

In June 2012, the Company completed an equity private placement of 6,591,742 new shares at an offering price of EUR 2.30 per share, which resulted in gross proceeds of EUR 15.2 million. The net proceeds from the issuance of new shares, after deducting EUR 1.6 million in offering fees and expenses, were EUR 13.6 million.

6. Convertible note

On February 23, 2011 the Company announced the placement of Senior Unsecured Convertible Notes (hereafter referred to as "Notes") with a par value of EUR 33.0 million in a private placement transaction, of which EUR 23.4 million were still outstanding on June 30, 2012. The Notes have a conversion price of EUR 11.43 and bear a fixed rate coupon of 6% per annum, which is payable quarterly in arrears. Principal and interest payments may be paid in cash or, subject to minimum thresholds in trading volume and values, in freely tradable listed shares of Intercell, at the sole option of the Company. The holders of the Notes may, at their sole option, choose to defer quarterly payments of principal though the final scheduled maturity of the Notes. The original investors in the Notes have the right to purchase an additional EUR 16.5 million of Notes at the same coupon and repayment terms, but with a conversion price to be set at a 20% premium to the then current stock price, for a period of 18 months following the closing. Another increase option for an additional EUR 33.0 million of Notes expired in March 2012 without being exercised.

The Notes have three components, a liability component, an equity component and an increase option which results from the original investors' right to purchase additional notes. The liability component is included in the balance sheet item "borrowings", the equity component is included in the balance sheet item "other reserves".

EUR in thousands	Liability component	Equity component	Increase option	Total
Proceeds of issue	31,340	35	1,625	33,000
Transaction costs	(554)	(1)	(29)	(583)
Net proceeds of issue	30,786	35	1,596	32,417
Valuation change	1,849	-	(1,596)	253
Repayment	(9,600)	-	-	(9,600)
Value at June 30, 2012	**23,035**	**35**	**-**	**23,070**
Less non-current portion	(8,284)			
Current portion	14,751			

7. Other loans

On May 7, 2012 the Company announced the signing of a combined debt and equity financing with BB Biotech. The financing consists of EUR 5.0 million as an equity private placement and a EUR 20.0 million secured loan (hereafter referred to as "Term Loan") with a six-year term. Repayment of the loan starts in the fourth year through twelve equal quarterly installments. The loan carries a variable interest rate of EURIBOR plus 6.5% (but not less than 10.9%). In addition, the Company will pay a royalty of 5.0% percent on its sales revenues from IXIARO®/JESPECT® (decreasing to 1.5% for sales revenues in excess of EUR 50.0 million) for a ten-year period. The terms include a buy-out option which entitles the Company to repurchase the Term Loan and Royalty Interest at predefined conditions at any time. The variable interest rate and the royalty payable in connection with the loan are both recognized as finance expenses. The finance expense is calculated using the effective interest method and is therefore recognized pro rata to the outstanding principal in each accounting period until the loan is fully amortized. The loan is secured by a security interest in the assets related to IXIARO®/JESPECT®. As part of this security a Bond and Floating Charge over all the assets of Intercell Biomedical, Ltd has been agreed. At June 30, 2012 the book values of the assets pledged amounted to EUR 25,005 thousand.

The Term Loan is included in the balance sheet item "borrowings".

EUR in thousands	Term Loan
Proceeds of issue	20,000
Transaction costs	(287)
Net proceeds of issue	19,713
Accrued interest and royalty expense	582
Value at June 30, 2012	**20,295**
Less non-current portion	(19,626)
Current portion	669

Vienna, August 3, 2012

The Management Board

Thomas Lingelbach, CEO

Reinhard Kandera, CFO

The condensed consolidated interim financial report of Intercell AG as of June 30, 2012 and the report on review thereof have been issued in German in accordance with Article 85 (1) Stock Exchange Act. 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.

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD PURSUANT TO SECTION 87 (1) OF THE AUSTRIAN STOCK EXCHANGE ACT

We confirm to the best of our knowledge that the condensed interim financial report gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial report and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, August 3, 2012

The Management Board

Thomas Lingelbach, CEO

Reinhard Kandera, CFO

Intercell AG

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