intercell
SMART VACCINES

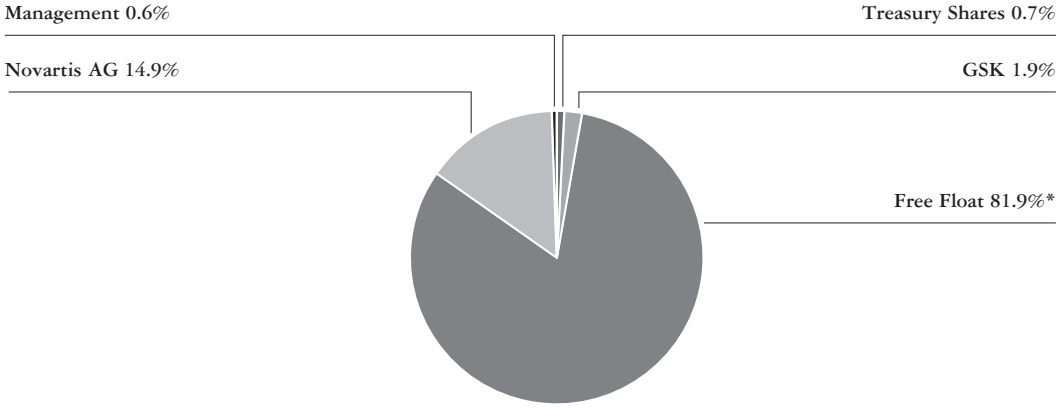
* addressing sustainability in an integrated manner

THE ANATOMY of our BUSINESS

INTERCELL SHARES

Share Performance 2010

Shareholder Structure



Shareholder structure as of December 31, 2010
** >5% of free float are held by Sectoral Asset Management Inc. since January 2011*
Numbers of shares issued: 48,592,219

For further information, please contact:

Intercell Investor Relations, investors@intercell.com, T +43-1-20620

FINANCIAL POSITION

- Increase in IXIARO®/JESPECT® sales by approximately 66% to EUR 12.8m, reflecting increased market penetration and product uptake in key markets and U.S. military
- R&D expenses increased by 19.5% to EUR 74.7m, reflecting strong activities in our broad clinical stage product pipeline
- EUR 255.2m net loss – resulting mainly from discontinuation of our most advanced clinical project
- Solid cash position with EUR 86.2m at year-end 2010
- Pipeline of Intercell still one of the most attractive in the biotech vaccine industry
- Outlook 2011 – growing revenues from product sales – decreased and focused R&D spending with an expected net loss of EUR 30-40m

FORWARD-LOOKING STATEMENTS

These materials contain certain forward-looking statements relating to the business of Intercell AG (the "Company"), including with respect to the progress, timing and completion of the Company's research, development and clinical trials for product candidates, the Company's ability to manufacture, market, commercialize and achieve market acceptance for product candidates, its ability to protect its intellectual property and operate its business without infringing on the intellectual property rights of others, the Company's estimates for future performance and its estimates regarding anticipated operating losses, future revenues, capital requirements and its needs for additional financing. In addition, even if the Company's actual results or development are consistent with the forward-looking statements contained in this annual report, those results or developments may not be indicative of the Company's results or developments in the future. In some cases, you can identify forward-looking statements by words such as "could," "should," "may," "expects," "anticipates," "believes," "intends," "estimates," or similar words. These forward-looking statements are based largely on the Company's current expectations as of the date of this annual report and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the Company's expectations could be affected by, among other things, uncertainties involved in the development and manufacture of vaccines, unexpected clinical trial results, unexpected regulatory actions or delays, competition in general, the impact of the global credit crisis, and the Company's ability to obtain or maintain patent or other proprietary intellectual property protection. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made during this annual report will in fact be realized. The Company is providing the information in these materials as of this date, and we disclaim any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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INTERCELL AT A GLANCE

Intercell is a biotechnology company focused on research, development, manufacturing, and commercialization of innovative vaccines and monoclonal antibodies against a variety of infectious diseases with unmet medical needs. We develop novel prophylactic vaccines that protect the human body against future infections and therapeutic vaccines and antibodies that support the human immune system's response to existing infections. We have a product portfolio consisting of one marketed product, eight product candidates in clinical development and additional candidates in pre-clinical development.

We are convinced that, based on the number of our late-stage pre-clinical and clinical programs, we are among the leaders in the creation and development of innovative vaccines and anti-infective antibodies, especially with our AIP®, our novel adjuvant, IC31®, and our needle-free patch-based vaccine and adjuvant delivery system. We have partnerships and collaborations with major global players in the vaccine industry including Novartis, GlaxoSmithKline, Merck & Co., Inc., and sanofi-aventis.

Our first approved product is a prophylactic vaccine against Japanese Encephalitis (JE), a mosquito-borne flaviviral infection, which is the most common cause of childhood Encephalitis (inflammation of the brain) and viral Encephalitis in Asia. The focus of our development portfolio is on nosocomial (hospital-acquired) infections and other selected serious infectious diseases. These vaccine candidates represent highly attractive opportunities for future revenues and earnings.

Intercell AG's corporate headquarters, research and development functions and laboratories for different purposes are based in Vienna, Austria. In addition, we have a manufacturing site for our JE vaccine in Livingston, Scotland, United Kingdom, and a site in Gaithersburg, Maryland, U.S., where we conduct patch-related research and development activities. Intercell AG also conducts research in Schlieren, Switzerland, in connection with the platform technology for monoclonal antibody discovery acquired from Cytos Biotechnology Ltd. in June 2010.

Since 2009, Intercell has been implementing a strategic sustainability program and is focused on transparency in terms of Corporate Social Responsibility (CSR). Since starting this ambitious process, we have already achieved advantages, and we are committed to continue on this path to improve the health of people and to support significant and lasting changes. Sustainability at Intercell is anchored at the Management Board level; however, we are proud that our employees help to support our activities and contribute important ideas through their own commitment.

Intercell decided to go even one step further in creating for the first time an Annual Report that addresses sustainability in an integrated manner, to make our progress more visible and to create awareness for our activities with respect to CSR.

Intercell is listed on the Vienna Stock Exchange under the symbol "ICLL" (U.S. level 1 ADR symbol "INRLY").

For more information please visit: www.intercell.com

// 01. // INTERCELL AT A GLANCE

Key strengths

- A focus on combating infectious diseases with innovative vaccine and antibody products
- Developing products from research to market as recently demonstrated by the launch of our first marketed vaccine
- Broad and highly competitive product pipeline with multiple clinical-stage programs
- Validated technology platforms geared towards creative and innovative solutions
- Reliable strategic partners – Alliances with leading industry players
- Experienced management team with a proven track record

CSR Highlights in 2010

- Intercell expanded its CSR strategy and made progress on more transparency in terms of CSR reporting.
- Intercell implemented a CSR working group with representatives from the Human Resources, Supply Chain Management, Facility Management, Investor Relations and Corporate Communications departments to reach our ambitious CSR goals and to discuss new ideas regarding sustainability.
- Intercell became a member of respACT – the austrian business council for sustainable development is the leading platform for Corporate Social Responsibility and Sustainable Development in Austria.
- Intercell supports the non-profit organization EcoHimal in its efforts to establish a healthcare system in Nepal.
- Intercell is listed on Vönix – Austrian Sustainability Index. Vönix is a stock index including publicly traded Austrian companies that demonstrate leadership in the areas of social and ecological performance.
- Gerd Zettlmeissl, CEO of Intercell, received the Vaccine Industry Excellence Award for Biotech CEO of the Year 2010.
- Bill Gates met with Intercell's Management Team to discuss potential ways of future co-operation to develop novel and innovative vaccines for the developing world.
- Intercell Vienna implemented a Values & Behaviors program following implementation of a similar program at the Livingston site in 2009.
- Intercell participates in the program ÖkoBusinessPlan for sustainable development – a program administrated by the City of Vienna.
- Intercell's sustainability profile was raised to "outstanding" by Bank Sarasin, one of the most renowned sustainable investment managers.
- Intercell's partner EcoHimal reported on the progress of its project "Improving Healthcare in Nepal".

CSR – Organizational structure

Sustainability at Intercell is anchored at the Management Board level. The Company's business model lends itself quite well to social responsibility through the development of vaccines against infectious diseases as well as by obtaining revenue streams, developing key partnerships and operating on a solid financial basis. To further establish and expand our CSR activities and to implement CSR in the whole organization, Intercell has implemented different responsibilities and procedures:

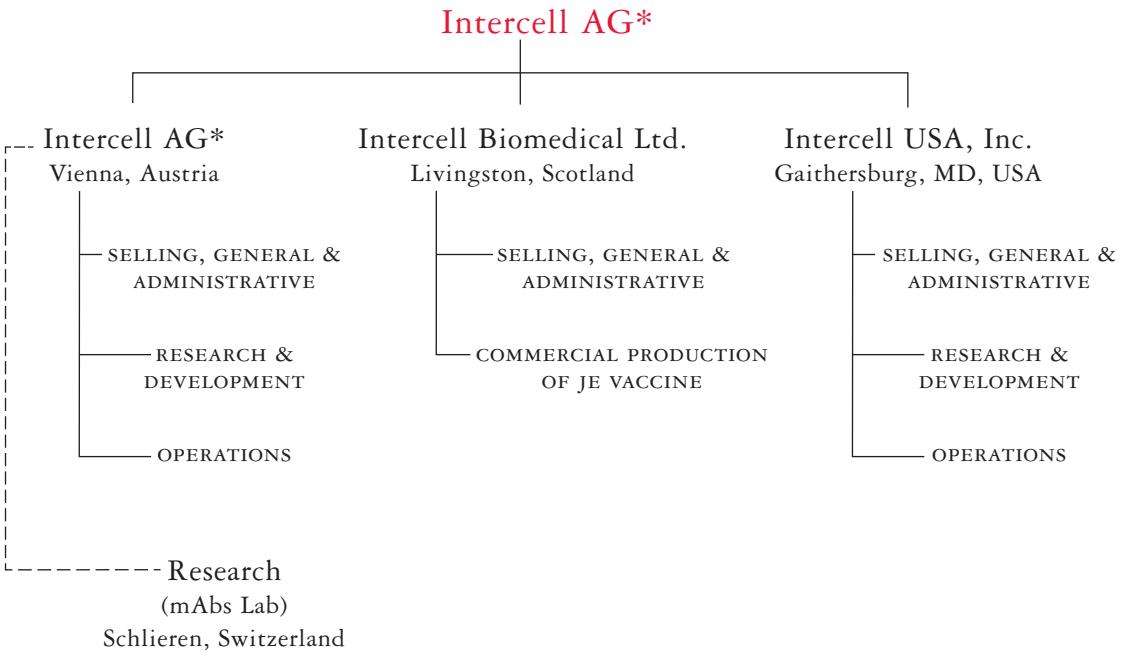
- Gerd Zettlmeissl, CEO, has the final responsibility for Intercell's CSR program and its ongoing development. With his scientific background, Gerd Zettlmeissl is committed to our social and ethical responsibility to improve the health of all people.

- Reinhard Kandera, CFO, is dedicated to sustainable investments both internally and externally. Based on his experience in the finance industry, he is convinced that a company can be commercially successful and act ethically responsibly at the same time.

- A CSR working group was established to generate this Annual Report that addresses sustainability in an integrated manner. This CSR working group, which consists of members from Supply Chain, Human Resources, Facility Management, Investor Relations and Corporate Communications, will meet at least twice a year to monitor, evaluate progress, and drive CSR development forward. The working group will report progress and results to the Management Board.

- Progress reports and suggestions are evaluated by the CSR working group and discussed in the course of Management Board Meetings. This ensures that the development and implementation of CSR and sustainability strategies at Intercell remain anchored at the Management Board level.

[Organizational Chart – Intercell Group



* *Management Board: Gerd Zettlmeissl (CEO), Thomas Lingelbach (COO), Mustapha Leavenworth Bakali (CBO), Reinhard Kandera (CFO)*

Intercell Biomedical Ltd. and Intercell USA, Inc. are wholly owned subsidiaries of Intercell AG. In Schlieren, Switzerland, Intercell AG has branch activities.

TRANSPARENCY
as a BUSINESS PRINCIPLE:
OUR MANAGEMENT TEAM

Take a closer look: The Intercell heart continues to beat strongly and is ready for the challenges ahead.

Intercell's Management Board on the Company's progress and development in 2010 and the keys for sustainable growth in 2011. Tim Friend, Medical Writer at WCG Group, talks to Intercell's Management Team.

[*In 2010, Intercell had some important successes as well as one major disappointment with the Phase III clinical trial for the Traveler's Diarrhea Vaccine Patch. On one hand, the study proved that the vaccine can be applied effectively with the patch technology, but the study was unsuccessful at preventing Travelers' Diarrhea. How does this affect Intercell moving forward in 2011?*

[GERD ZETTLMEISSL The past year was certainly challenging for us. In late 2010, we reported that our Phase III study for Travelers' Diarrhea did not meet its endpoints. This was disappointing, but such disappointments are common and expected in our industry. Importantly, as a vaccine company with a diverse and dynamic R&D program we can afford to discontinue one program, even one as highly anticipated as Traveler's Diarrhea, without having an impact on our innovation. In fact, the Travelers' Diarrhea study confirmed the viability of our vaccine patch technology, even though the specific antigen did not meet its desired profile. Beyond the TD study, Intercell experienced growth in 2010 through increasing sales and market penetration of its lead product, a vaccine to protect against Japanese Encephalitis. The Company has shown that it is a globally leading innovator among independent vaccine companies, with strong development and commercialization partners and experienced management capable of handling growth and challenges. With the depth and range of our pipeline, we will use 2011 to increase efficiencies while keeping our many other programs moving on schedule.

[*What were some of the most important achievements with your products and pipeline over the past year?*

[GERD ZETTLMEISSL We achieved many substantial milestones over the past year in our product sales and in the strengthening of our R&D programs. We achieved a substantial growth in sales of our Japanese Encephalitis (JE) vaccine. In particular, sales to the U.S. military of the JE vaccine have added to our revenue growth and we expect a significant increase in sales in 2011 in the military sector, especially in the U.S. The pediatric Phase III studies for IXIARO®/JESPECT® in children travelling to endemic areas are progressing according to plan. Data, expected in 2012, will be used to extend the label to travelling children. A novel JE vaccine candidate is also being developed in collaboration with our partner Biological E. for the endemic markets in Asia where the WHO recommends JE vaccination be integrated into national immunization programs. Clinical development in endemic areas is progressing very well with a pivotal Phase III trial in children in India scheduled to begin in early 2011.

[STAPH LEAVENWORTH BAKALI Our JE vaccine has become an important product globally in developed and developing countries. We are expanding the global availability of our product by increasing the number of regulatory approvals and subsequent launches in various global markets. What underpins the substantial growth in sales and worldwide market penetration is the fact that we believe that we have the best-in-class

Japanese Encephalitis vaccine. It is the latest generation vaccine and the most effective. We can state with confidence that we have the lead Japanese Encephalitis product worldwide.
To this, I would add that we substantially broadened and strengthened our vaccine product portfolio by our entry into the area of hospital-acquired infections.

[THOMAS LINGELBACH Our progress in the treatment of nosocomial infections in hospital patients represents a very important evolution for our Company. We believe that this will be an important driver of growth and success in 2011. Nosocomial infections are a critical unmet medical need worldwide, which our industry has yet to successfully address. In Staphylococcus aureus infections, we saw promising long-term immunogenicity in immune-compromised patients in a clinical study conducted by our partner Merck & Co., Inc., and the Phase II/III study in cardiothoracic surgery patients progresses well. For our Pseudomonas vaccine, we saw a significant effect on reduction of mortality in a Phase II ICU setting and discovered evidence of a link between immune response and survival. Finally, based on excellent preclinical data, we launched the Phase I study in Clostridium difficile. As our clinical trials for Pseudomonas, S. aureus and C. difficile advance, we will be further integrating into our research pipeline the new antibody technology acquired this past year. This technology opens up a completely new field of potential products for our Company that harness the power of antibodies against infectious diseases and infectious agents.

[*How does being the pure play vaccine company with the most advanced pipeline, globally, set you apart from the competition?*

[STAPH LEAVENWORTH BAKALI The vaccine industry has experienced tremendous consolidation in the last few years. This consolidation has been led by the large global pharmaceutical companies, who continue to recognize the rapidly growing importance of vaccines to global health. The vaccine industry has witnessed multi-billion dollar deals both from traditional vaccine players, such as GSK and sanofi-aventis, but also from new entrants such as Pfizer, Novartis, and Johnson & Johnson who recognize that vaccines can play an important role in their growth strategy. Our advantage is that we are a relatively small company with a strong focus on vaccines. This enables us to be much more nimble, much more capital-efficient, and much more innovative than larger companies that must spread their resources across many therapeutic areas. As the leading independent vaccines-focused player, not only can we drive our R&D programs faster than any big company, but it also makes us a scarce asset. This is why we have attracted such significant partners as Novartis, Merck & Co., Inc., GSK, and sanofi-aventis.

[THOMAS LINGELBACH While Intercell is a single-focused organization, it is important to highlight that within the vaccine space we have a diversity of clinical programs. The breadth of our R&D efforts makes us the global leader in biotech vaccines. In 2010, we conducted and operated 14 clinical trials ranging from pre-clinical stages to Phase IV. We met all of the clinical trial timelines that we had planned, which demonstrates the efficiency, strength and dedication of our R&D organization.

GERD ZETTLMEISSL This is a very important point. As a pure play vaccine company with a well-balanced and well-positioned pipeline, we can grow and progress even when it becomes necessary to reduce costs.

Intercell is known as a company that places high value on social responsibility and global sustainability. Why are these values so important to the Company?

REINHARD KANDERA As a commercial enterprise, we obviously have to focus on key areas of high unmet medical needs where our product development leads to future cash flows and profitability. However, as a Company that possesses innovative tools for bringing new vaccines into existence, we believe we must make our vaccines accessible to developing countries with poorer populations. We are very committed to working with both global and local organizations that are also dedicated to bringing vaccines to underserved people.

In our interactions with investors, we see that more and more people want to invest in socially sustainable and responsible businesses. Many companies have written policies for corporate responsibility, but we can demonstrate through our actions that we are doing something to try to make a better world as a core part of our business.

THOMAS LINGELBACH The vaccine business is for all people. We believe that our ethical responsibilities and obligations are as important as profitability, and we have found that this attracts both investors who want to be socially responsible and financially successful, and talented employees who share this vision. When it comes to the question of what makes a business sustainable, we do not operate on what some people consider the classic early stage biotech model or even a commercial vaccine company model. Our business model is to obtain revenue streams, as we have demonstrated with the JE vaccine, and develop key partnerships and collaborations with pharma companies, as well as international humanitarian organizations such as PATH and AERAS.

GERD ZETTLMEISSL We want to show by example that it is possible to do well by doing good. By developing new vaccines, we automatically address diseases that are present all around the world. So, trying to develop products for people who live in the less developed areas is an inherent part of our business. These are values that each of us shares at Intercell. To be able to extend these values into our Company's business is very rewarding. We are currently engaged, for example, in a social project that is supporting villages in the Himalayas where infectious diseases are major causes of mortality. Without a great amount of expenditure, it is possible to make a very big difference in people's lives.

// 01. // INTERCELL'S MANAGEMENT BOARD

The Intercell Management Board is committed to achieving the Company's corporate objectives and providing sustainable value for shareholders.

GERD ZETTLMEISSL – CHIEF EXECUTIVE OFFICER

Gerd Zettlmeissl joined Intercell in 2001 as COO and has served as CEO since 2005. Gerd Zettlmeissl's scientific background, as well as his professional years with Behringwerke AG and Chiron Corporation, have led to his broad development and commercial experience in the vaccine and biotech industry.

THOMAS LINGELBACH – CHIEF OPERATING OFFICER

Thomas Lingelbach joined Intercell in 2006, serving as COO. From his international pharma and vaccine management experience and his long career at Chiron Vaccines (now Novartis Vaccines), he has gained broad knowledge and expertise in the field of industrialization and commercialization of vaccines. He is Managing Director of Intercell Biomedical Ltd. and President and CEO of Intercell USA, Inc.

REINHARD KANDERA – CHIEF FINANCIAL OFFICER

Reinhard Kandera joined Intercell in 2001 and was appointed as CFO in March 2009. Since joining Intercell, he has held various important positions within the finance area, including Head of Finance and Controlling, Global Head of Investor Relations and, most recently, CFO of Intercell USA, Inc. Before joining Intercell, he was employed in the corporate and investment banking division of Deutsche Bank AG.

MUSTAPHA LEAVENWORTH BAKALI – CHIEF BUSINESS OFFICER

Mustapha Leavenworth Bakali was appointed as a member of the board and as Intercell AG's Chief Business Officer in October 2010, after having previously served as a member of the Supervisory Board since May 2006. He brings 20 years of vaccine industry experience from his previous leadership activities including senior Marketing and Sales Positions at GlaxoSmithKline and Chiron. He was Chief Executive Officer of Genocea Biosciences, and Chief Operating Officer for ID Biomedical and PowderJect.

SUPERVISORY BOARD

With expertise in the field of vaccine development combined with finance and capital market know-how obtained through distinguished careers, Intercell's Supervisory Board provides advice related to corporate strategic developments. The Supervisory Board oversees the Management Board's handling of risk inherent in different activities, the internal risk management and control systems, the financial reporting process, and Intercell's compliance with relevant legislation and regulations. Also, the Supervisory Board monitors management on a regular basis throughout the year and is involved in decisions of major importance.

- Michel Gréco – Chairperson
- Ernst Günter Afting – Vice Chairperson
- Mustapha Leavenworth Bakali (until September 30, 2010)
- David Ebsworth
- James Sulat
- Hans Wigzell

SCIENTIFIC ADVISORY BOARD

Intercell's Scientific Advisory Board is composed of renowned international scientists with expertise and worldwide networks in the fields of infectious diseases, microbiology, immunology, and molecular biology. The Scientific Advisory Board assesses the progress of research and development activities. Alexander von Gabain, one of Intercell's co-founders, is the Chairman of the Scientific Advisory Board and also serves as strategic advisor to the Management and Supervisory Boards of the Company. He was Intercell's CEO from the inception in January 1998 until October 2005, and from November 2005, until stepping down from his Management Board position in November 2009, he served as CSO.

- Alexander von Gabain – Chairperson
- Rafi Ahmed
- Hubert E. Blum
- Stanley N. Cohen
- Franz X. Heinz
- Stefan H. E. Kaufmann
- Staffan Normark
- Hans Wigzell

The members of the Intercell AG Supervisory Board and the Management Board are committed to managing the Company's business operations transparently, according to high ethical standards and focused on long-term value creation. We believe that good corporate governance has been the basis for the trust that we have gained from our investors, from institutions, and from our employees and that it will continue to strengthen this confidence in the future.

AUSTRIAN CODE OF CORPORATE GOVERNANCE

In September 2004, the Management and Supervisory Boards passed a Declaration of Compliance with the Austrian Code of Corporate Governance, which was issued by the Austrian Working Committee for Corporate Governance in September 2002 and updated several times since. The Code in its current version can be viewed at www.corporate-governance.at.

The Austrian Code of Corporate Governance sets standards of good corporate management that are common in international business practice and reflect the corporate governance recommendations of the European Commission. The Code includes mandatory rules and requirements, some of which can be found under relevant Austrian law, a set of comply-or-explain rules which are mandatory unless the relevant rules and reasons for non-compliance have been disclosed, and recommendations for which non-compliance does not have to be disclosed and explained.

Intercell AG complies with the Austrian Code of Corporate Governance with the following explicit limitations:

- The Company has an established internal audit function, but because of the size of the Company, this is neither a separate staff unit for internal auditing nor has this function been outsourced in accordance with Section 18 of the Code.
- The Company's Supervisory Board has three committees. The chairperson of the Audit Committee is James Sulat, the chairperson of the Nomination and Corporate Governance Committee is Michel Gréco, the Chairman of the Supervisory Board, and the chairperson of the Compensation Committee is Prof. Ernst Günter Afting, the Vice Chairman of the Supervisory Board, in deviation from Section 43 of the Code. Prof. Afting served as Chairman of the Board for many years and has remained the chairperson of the Committee for Compensation issues for purposes of continuity.
- The Company's stock option program implemented in 2008 provides for a two to five year vesting period of stock options and does not require that beneficiaries hold a certain number of shares during the term of the stock option program. Section 28 of the Code, as amended in 2010, recommends a 3-year minimum vesting period and that a certain level of shareholding during the term of the program should be required.

ORGANIZATION OF GOVERNING BODIES

Management Board

As required by the Austrian Stock Corporation Act, we have a two-tier board system consisting of a Management Board and a Supervisory Board. The two boards are separate, and no individual may serve on both boards simultaneously.

Intercell's Management Board is responsible for managing the Company's day-to-day business and represents the Company in our dealings with third parties. The members of the Management Board are appointed by Intercell's Supervisory Board for renewable terms of up to five years. The Management Board passes its resolutions by a simple majority vote. In the event of a voting deadlock, the chairperson casts the deciding vote. The Management Board has set up a corporate compliance program, headed by a global compliance officer who reports directly to the Management Board.

As of December 31, 2010, our Management Board consists of four members:

Name	*Year of Birth*	*First appointment*	*End of term*
Dr. Gerd Zettlmeissl, *Chief Executive Officer and Chairperson of the Management Board*	1955	October 2001	October 2012
Thomas Lingelbach, *Chief Operating Officer*	1963	October 2007	October 2012
DDr. Reinhard Kandera, *Chief Financial Officer*	1969	November 2009	October 2012
Mustapha Leavenworth Bakali, *Chief Business Officer**	1961	October 2010	September 2013

* *Mustapha Leavenworth Bakali resigned from the Supervisory Board on September 30, 2010 and has been serving on the Management Board since October 1, 2010.*

Dr. Gerd Zettlmeissl is a member of the Supervisory Board of Helmholtz Zentrum für Infektionsforschung GmbH, a public research institute in Braunschweig, Germany.

Until July 2010, Dr. Gerd Zettlmeissl served as Vice Chairman and DDr. Reinhard Kandera served as member of the Supervisory Board of the Karl Landsteiner Jubiläums-Stiftung, gemeinnützige Privatstiftung in Abwicklung, an Austrian private foundation. This private foundation was dissolved in July 2010.

Thomas Lingelbach does not hold any board seats or directorships outside the Intercell Group.

Mustapha Leavenworth Bakali has been serving as the Company's Chief Business Officer since October 1, 2010. He previously served as President and CEO, and most recently as an independent director, of Genocea Biosciences. He is also active as a member of the Supervisory Board of Osisko Mining Corporation and a member of the Advisory Board of LeapFrog Investments.

Supervisory Board

Our Supervisory Board oversees and advises our Management Board and is responsible for the appointment and discharge of members of our Management Board. Our Management Board reports regularly to the Supervisory Board on our business activities. In addition, our Management Board must obtain prior approval from our Supervisory Board for certain types of transactions, such as for transactions between the Company and members of its Management Board.

The members of our Supervisory Board are elected by, and their membership may be revoked by, the General Meeting of Shareholders.

Our Supervisory Board currently has five members. All Supervisory Board members are independent according to corporate governance rules and the guidelines adopted by the Company, i.e. each member does not have any business or personal relations with the Company or its Management Board that constitute a material conflict of interest that could influence the behavior of the member. In addition, each of the Supervisory Board members has less than 10% participation in the Company and thereby meets the criteria of Section 54 of the Code with respect to independence. Unless otherwise provided by law, our Supervisory Board passes resolutions by a simple majority vote, with the chairperson casting the deciding vote in case of a voting deadlock. During the past year, the Supervisory Board held four regular meetings and numerous meetings and teleconferences devoted to various specific topics.

Our Supervisory Board has formed three committees:

- an Audit Committee, which is responsible for monitoring the financial reporting process, monitoring the effectiveness of our internal control system, our internal audit and our risk management system, reviewing and monitoring the independence of the auditor, reviewing our annual financial statements in preparation of our Supervisory Board's approval of our financial statements and reviewing our interim financial statements and our consolidated annual financial statements. The Committee Chairperson, James Sulat, is a financial expert as defined by the Austrian Stock Corporation Act and pursuant to Section 40 of the Code. The Audit Committee met four times during the past year and held various telephone conferences. Accounting and auditing processes, internal control and proper risk management processes, budget, as well as tax and investment considerations were topics at these meetings. In addition, the Audit Committee discussed the quarterly financial reports and audit reviews prior to their publication and prepared the acknowledgement of the annual financial report by the Supervisory Board.

- a Compensation Committee, which is responsible for reviewing management performance and making administrative decisions relating to Management Board compensation. All three members of the Compensation Committee have knowledge and experience in the area of compensation policy pursuant to Section 43 of the Code based on their previously-held executive positions in other publicly listed corporations. The Compensation Committee had three meetings during the past year, the subjects of which were management goals and variable elements of Management Board compensation.

- a Nomination and Corporate Governance Committee, which is responsible for succession planning of the Management Board and corporate governance issues such as the review of, and advice on, all aspects of the corporate compliance program, including the monitoring of the compliance of the activities of the members of our Management Board and Supervisory Board. The Nomination and Corporate Governance Committee met three times during the past year and discussed the changes to the Management Board, general corporate governance matters and various aspects of our corporate compliance program, as well as updates to the Company's Articles of Association and the Management Board and Supervisory Board by-laws.

During 2010, the review and preparation of important strategic decisions for the Company was carried out by the entire Supervisory Board together with the Management Board, with strategic planning issues mainly focused on business plans and key milestones.

The following persons served as members of the Supervisory Board in 2010:

Name	*Date of Birth*	*First election*	*End of term**	*Member of Committee***
Michel Gréco (Chairman)	1943	July 2003	2013	A****, C, N***
Prof. Ernst Günter Afting (Vice Chairman)	1942	February 1999	2013	C***, N
Dr. David Ebsworth	1954	November 2003	2013	A, C
James Sulat	1950	September 2004	2013	A***, N
Prof. Hans Wigzell	1938	May 2006	2012	N
Mustapha Leavenworth Bakali****	1961	May 2006	2010	(A)

* *End of General Meeting of Shareholders in the respective year*
** *A… Audit Committee, N… Nomination and Corporate Governance Committee, C…Compensation Committee*
*** *Indicates Chairperson of the Committee*
**** *Michel Gréco is a member of the Audit Committee since October 1, 2010. Mustapha Leavenworth Bakali resigned from the Audit Committee and the Supervisory Board on September 30, 2010 and has been serving on the Management Board since October 1, 2010.*

Michel Gréco is currently active as a member of the Boards of Directors of Argos Therapeutics, Inc., Immutep S.A., Vivalis S.A., Texcell S.A. and Noraker SAS and as Chairman of the Board of Directors of Glycovaxyn AG. He is also currently Chairman of the Board of the Hospital St. Joseph St. Luc, Lyon, France, and a Board member of the Global Tuberculosis Vaccines Foundation and of the International Aids Vaccines Initiative.

Prof. Ernst Günter Afting is an industrial advisor to venture capital firms and a Supervisory Board member of several biotech companies in Europe and the USA. Prof. Afting is currently active as Chairman of the Supervisory Board of Biovertis AG and as a member of the Supervisory Boards of BiomedCredit AG, Enanta Pharmaceuticals, Inc., Olympus Europa Holding GmbH, Sequenom, Inc., and Suppremol GmbH.

Dr. David Ebsworth is currently active as a member of the Corporate Executive Committee of Galencia Ltd. and as CEO of Vifor Pharma Ltd.

James Sulat is presently active as CEO, CFO and a member of the Board of Directors of Maxygen, Inc., as well as Chairman of the Board of Directors of Momenta Pharmaceuticals Inc.

Prof. Hans Wigzell is Chairman of the Board of the Karolinska Development AB and a member of the Supervisory Boards of Raysearch AB, Biovitrum AB, Epixis SA, HuMabs LLC, Probi AB, and Neodynamics AB. Prof. Wigzell also serves on the Company's Scientific Advisory Board.

Mustapha Leavenworth Bakali resigned from the Supervisory Board on September 30, 2010 and has been serving on the Management Board since October 1, 2010. See subsection "Management Board" above.

[Diversity

The criteria for membership in either the Management Board or the Supervisory Board are first and foremost individual knowledge, expertise, and experience in leadership. Collectively, the members of our Supervisory Board and Management Board represent six different nationalities. Currently, no women are serving on either board. The Company has been preparing to implement a diversity and inclusion program with the aim of facilitating the hiring, retention and promotion of women to top management positions.

[General Meeting of Shareholders

Each shareholder has the right to attend any General Meeting of Shareholders in order to ask questions and propose resolutions in connection with any matter on the agenda that is provided at the time the meeting is announced, and to vote upon any resolution proposed. In 2010 this was the case, provided that, pursuant to the amended Austrian Stock Corporation Act, the shareholder had duly evidenced that he or she held his or her respective shares on the record date, the tenth day preceding the date of the General Meeting, as submitted by the shareholder's account holding bank. Each shareholder is entitled to one vote per share. Shareholders may be represented at any General Meeting of Shareholders by a holder of written proxy. Our Management Board, Supervisory Board, or any shareholder holding at least 5% of our nominal share capital may call a General Meeting of Shareholders. Shareholders holding at least 5% of our nominal share capital may also require items to be included in the agenda of the General Meeting of Shareholders. Notice of a General Meeting of Shareholders (including the meeting's agenda) is published in the Official Viennese Gazette and on the Company's website with at least 28 days' prior notice (in the case of extraordinary General Meetings with at least 21 days' notice); the resolutions passed at the General Meeting and other information required by the Austrian Stock Corporation Act are also published on the Company's website.

The Company's calendar of corporate financial events can be found at http://www.intercell.com/main/for-investors/financial-calendar/.

Director Compensation

The remuneration for the members of our Management Board is stipulated in their respective employment contracts. The table below sets forth the total compensation paid or accrued for the fiscal year ended December 31, 2010:

in *EUR*	*Base salary*	*Bonus**	*Other benefits*	*Total*	*Stock options granted*	
					Number	*Fair value***
Dr. Gerd Zettlmeissl	360,000	135,000	13,658	508,658	100,000	181,067
Thomas Lingelbach	320,000	125,000	293,331	738,331	100,000	181,067
DDr. Reinhard Kandera	240,000	90,000	24,161	354,161	100,000	181,067
Mustapha Leavenworth Bakali[1]	78,750	30,000	6,300	115,050	100,000	181,067
	998,750	380,000	337,450	1,716,200	400,000	724,267

* *subject to approval from the SB*

** *Fair value at grant date of options granted in 2010*

[1] *Compensation for three months' period since appointment date, October 1, 2010*

Payment of any bonus amount is subject to the achievement of pre-defined financial and individual performance goals. The Supervisory Board, upon recommendation by its Compensation Committee, sets performance criteria for the variable component of each Management Board member's remuneration based on commercially standard principles with respect to each individual's roles and responsibilities in the Company. The Supervisory Board looks at the performance of the Company and each Management Board member against both the Company goals and each individual's goals to determine whether the performance criteria have been met. Beginning in 2011, the variable component of each Management Board member's remuneration will include sustainable, long-term and multi-year performance criteria, including non-financial criteria.

Share options, which have been granted to the members of the Management Board, become exercisable in four portions after the annual General Shareholders' meeting in the second, third, fourth and fifth year after being granted (the vesting period). Special options packages offered as special incentives may become exercisable after three years. All options expire no later than five years after grant. Options are not transferable or negotiable, and unvested options lapse, without compensation, upon termination of employment with the Company (cancellation). The Company has no legal or constructive obligation to repurchase or settle the options in cash. Options granted from 2006 onwards only become exercisable if the share price on the exercise date exceeds the exercise price by at least 15%. Options granted from 2008 onwards become exercisable with the effectiveness of the takeover of more than 50% of the outstanding voting rights of the Company.

In addition, Thomas Lingelbach is entitled to an additional bonus representing 75,000 so-called performance units – one performance unit corresponds to the value of one hypothetical share in the Company's share capital after a certain vesting period staggered over a total of five years. The Company has entered into contractual agreements with Thomas Lingelbach and Mustapha Leavenworth Bakali, entitling each to a one-time payment if he leaves the Company due to a change of control. It is possible that if such payment is made to either of these Management Board members, their payment would be greater than the remuneration remaining for the term of the relevant employment contract.

Intercell has no retirement plan for the Management Board, but the Company does make contributions to a pension insurance fund with a fixed amount of EUR 1,000 per month for each member of the Management Board. The Company has entered into contractual arrangements with the members of the Management Board entitling them to a one-off payment under certain conditions in case their contracts are not renewed for reasons that are solely due to the Company.

The Company maintains a directors' and officers' liability insurance.

The remuneration of the members of our Supervisory Board is determined by resolution of the General Meeting of Shareholders. In addition, the members of our Supervisory Board are reimbursed for their out-of-pocket expenses. For the financial year 2010, we expect remuneration for the members of our Supervisory Board, which will be awarded by our annual General Meeting of Shareholders, to amount to EUR 50,000 for the chairperson, EUR 40,000 for the vice chairperson, and EUR 30,000 each for all other members. For their respective committee work, we expect remuneration for the members of our Supervisory Board to be awarded by our General Meeting of Shareholders in the amount of EUR 6,000 for a committee chairperson and EUR 4,000 for a committee member. For his position on the Company's Scientific Advisory Board in 2010, Prof. Hans Wigzell is entitled to an additional remuneration of EUR 5,000, see notes to the consolidated financial statements (note 32).

Stock Options and Director Participation

The following table sets forth the number of stock options and shares privately held by members of our Management and Supervisory Boards as of December 31, 2010. For details on our stock option plans, see note 21 to our consolidated financial statements.

	Number of shares held	*Number of options held*	*Total*
Members of the Management Board			
Dr. Gerd Zettlmeissl	254,247	500,000	754,247
Thomas Lingelbach	1,000	450,000	451,000
DDr. Reinhard Kandera	25,000	272,000	297,000
Mustapha Leavenworth Bakali	-	150,000	150,000
Members of the Supervisory Board			
Michel Gréco	1,496	43,750	45,246
Prof. Ernst Günter Afting	11,175	51,250	62,425
Dr. David Ebsworth	12,945	45,000	57,945
James Sulat	-	42,500	42,500
Prof. Hans Wigzell	-	45,000	45,000

Corporate Social Responsibility

The development of vaccines and antibodies against infectious diseases is not only a potentially attractive business opportunity, but also a contribution to society that provides significant value beyond commercial benefit. Corporate Social Responsibility at Intercell is anchored at the Management Board level.

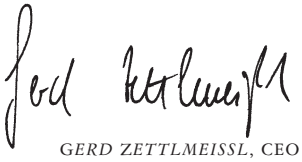
Included within the elements of the Company's ethical responsibility is the development of vaccines such as for Tuberculosis, Pneumococcal infections, and Japanese Encephalitis in endemic countries. The Company collaborates closely with PATH, the non-profit Program for Appropriate Technology in Health, which focuses on bringing benefit to the people in the less developed countries in the world. In addition, the AERAS Global Tuberculosis Vaccine Foundation supports the Tuberculosis vaccine program on which Intercell collaborates with Statens Serum Institut (SSI) and sanofi-aventis.

The more successful we are in discovering, developing, and manufacturing new vaccines, the greater the likelihood that we will be able to offer benefits to patients as well as to partners, shareholders, and other stakeholders. We develop novel vaccine and antibody candidates to address unmet medical needs.

In order to be recognized as an innovative and trustworthy company, Intercell fosters a culture where associates are expected to behave ethically and lawfully. Intercell's core corporate values can be characterized by goal orientation at all levels of the Company, trust in our management and in each other as individuals and teams, and a sincere dedication to innovation in order to overcome unmet medical needs.

Vienna, March 11, 2011

The Management Board



GERD ZETTLMEISSL, CEO

THOMAS LINGELBACH, COO

MUSTAPHA LEAVENWORTH BAKALI, CBO

REINHARD KANDERA, CFO

Infectious diseases are responsible for a significant proportion of all deaths worldwide, estimated at 25% by the Centers for Diseases Control and Prevention (CDC). Vaccines work by mimicking a natural infection, stimulating the immune system to mount a response to specific pathogens (disease-causing agents). Following vaccination, the immune system is able to recognize and eliminate a pathogen more rapidly on subsequent infection and mount an immune response to destroy it.

Intercell is a biotech company focused on research, development, manufacturing, and commercialization of innovative vaccine and antibody products against a variety of infectious diseases with substantial unmet medical need. We are a leading innovative pure play vaccine company in the world, balancing innovation and commercial success.

The vaccine industry is driven by innovation and continues to develop new vaccine technologies, as well as vaccines for new indications such as Meningitis B or human papillomavirus infections and improved versions of existing vaccines. This innovation and expanded application for existing vaccines has resulted in vaccines being one of the fastest growing sectors in the pharmaceutical industry as the applications for vaccines expand.

The vaccine market is highly concentrated and five large pharmaceutical companies (GlaxoSmithKline, Merck & Co., Inc., sanofi-aventis, Pfizer, and Novartis) collectively accounted for almost 90% of worldwide vaccine sales in 2008 (source: Frost & Sullivan). However, there is a large number of smaller vaccine companies and subsidiaries of larger companies that successfully compete in niche markets, which are characterized by a limited number of customers and where there are established distribution networks. In recent years, the vaccine industry has undergone consolidation driven by growth prospects in key markets and access to innovative technologies and manufacturing capabilities.

We believe we are a global player in the creation of innovative vaccines and antibodies against infectious diseases based on our Antigen Identification Program (AIP®), our adjuvant IC31®, our monoclonal antibody discovery technology, and our needle-free application of vaccines and adjuvants via patches. We operate in a highly regulated industry. In both Europe and the U.S., our product candidates will require regulatory approvals prior to clinical trials and additional regulatory approvals prior to commercial production and distribution. These regulatory approval processes are generally stringent and time-consuming.

Clinical trials

To obtain the required approvals, pre-clinical and clinical trials must be conducted to demonstrate safety, efficacy and consistent quality of the product candidates.

Clinical trials are normally conducted in different phases as described below:

[**Phase I** – We conduct clinical trials in a limited trial participant population as a first trial in human subjects to test our product candidate for safety and immunogenicity (property of eliciting an immune response) in healthy individuals. We also conduct subsequent clinical supportive Phase I trials in the intended patient populations.

[**Phase II** – We conduct clinical trials in a limited number of subjects in the intended population to evaluate safety and immunogenicity (property of eliciting an immune response) and to determine dosage tolerance and optimal dosage levels. We may conduct multiple Phase II clinical trials in order to obtain as much information as possible prior to beginning the larger and more extensive Phase III clinical trials. In some cases and under certain circumstances Phase II trials may also be indicative for the investigative products' efficacy. Some sponsors may refer to such studies as "Phase IIb" or "pilot efficacy trials."

[**Phase III** – When Phase II clinical trials demonstrate that the selected dose for our product candidate may be effective and has an acceptable safety profile, Phase III clinical trials are undertaken in large patient populations to provide statistically significant evidence of clinical efficacy, further safety data, clinical lot-to-lot consistency and other information – subject to specific regulatory advice. Some trials are designed to transition directly from Phase II into Phase III, known as Phase II/III adaptive/sequential design. In such trials, a clinical Phase II study is performed as described above, but allowing certain interim analyses to adapt the study cohort towards a statistically powered endpoint that – upon positive data – could lead directly to transition into a Phase III study.

[**Phase IV** – These studies are conducted after market launch of the product. They aim to find out even more about the vaccine in practice.

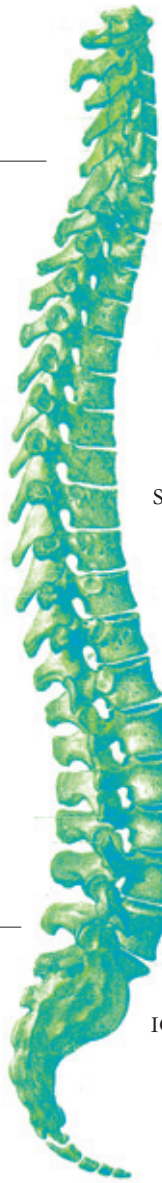
[***Animal welfare***

Before any product candidate can be given to humans, Intercell needs to conduct significant pre-clinical trials in both cells (*in vitro*) and animals (*in vivo*) to fulfill very strict regulatory requirements. These important study results support the pre-clinical as well as clinical studies of our vaccine candidates.

Intercell maintains a modern animal facility for mouse experiments where the welfare of the animals is a top priority. All mice are kept under standardized animal and optimal hygienic conditions. This protects the high specific pathogen-free (SPF) health status of the animals. Our qualified animal technicians have long-term experience with the handling and care of laboratory animals. All *in vivo* studies are conducted according to the guidelines of the Austrian Animal Testing Legislative and all techniques are applied following latest scientific findings. Intercell is qualified to conduct *in vivo* studies according to GMP (Good Manufacturing Practice) standards. These tests are – among other things – related to efficacy, comparability, and stability of our products. Intercell performs animal testing to the minimum extent necessary.

THE BACKBONE *of* INTERCELL:

OUR VERSATILE PRODUCT PIPELINE



PHASE IV

JAPANESE ENCEPHALITIS

PHASE III

S. AUREUS

PHASE II

PSEUDOMONAS
HEPATITIS C

PANDEMIC INFLUENZA

PHASE I

C.DIFFICILE
PNEUMOCOCCUS
IC31® TUBERCULOSIS
IC31® SEASONAL INFLUENZA

Fig. 1 — *THIS KEEPS US STANDING UP STRAIGHT ...*

Few other biotech companies in the world have a product pipeline as balanced as ours at Intercell. Our work in developing vaccines runs the gamut of global diseases from travelers' diseases to hospital infections to Hepatitis C. *Borrowed, vertebra for vertebra, from the Bourgery | Jacob Atlas of Anatomy, which dates to 1831-1854.*

We develop novel prophylactic vaccines that protect the human body against future infections and therapeutic vaccines that enhance the human immune system's response to existing infections. We have a product portfolio consisting of one marketed product, eight product candidates in clinical development and additional candidates in pre-clinical development. We take the health of our customers very seriously and apply the highest standards during research, development and production in order to ensure product safety. A summary of our market and clinical development products is shown below:

PRODUCT	VACCINE TYPE	STATUS/ PHASE	PARTNER/ COLLABORATOR
JE vaccine: IXIARO® / JESPECT®	*Prophylactic*	*Approved (U.S., Australia, EU, Switzerland, Canada, Hong Kong) / Phase III (pediatric) / Phase IV (post-marketing surveillance)*	*Novartis / CSL Ltd. / Biological E. Ltd.*
Staphylococcus aureus vaccine	*Prophylactic*	*Phase II/III (sequential design)*	*Merck & Co., Inc.*
Pseudomonas vaccine	*Prophylactic*	*Phase II*	*In-house, Novartis option*
Clostridium difficile vaccine	*Prophylactic*	*Phase I*	*In-house*
Hepatitis C vaccine	*Therapeutic*	*Phase II*	*Romark*
Pandemic Influenza vaccine patch system	*Prophylactic*	*Phase I/II*	*GlaxoSmithKline / supported by HHS*
Pneumococcus vaccine	*Prophylactic*	*Phase I*	*In-house / supported by PATH*
IC31® Tuberculosis vaccine	*Prophylactic*	*Phase I*	*Statens Serum Institut / sanofi-aventis / supported by AERAS*
IC31® Seasonal Influenza vaccine	*Prophylactic*	*Phase I*	*Novartis*
Travelers' Diarrhea Vaccine Patch	*Prophylactic*	*Phase II/III – program discontinued*	*GlaxoSmithKline*

MARKETED PRODUCT – Vaccine against Japanese Encephalitis

PRODUCT	VACCINE TYPE	STATUS/PHASE	EXPECTED MILESTONES	PARTNER/ COLLABORATOR
JE vaccine: IXIARO®/JESPECT®	*Prophylactic*	*Approved (U.S., Australia, EU, Switzerland, Canada, Hong Kong)/ Phase III (pediatric)/ Phase IV (post-marketing surveillance)*	*Country approvals in various territories/ expansion of label (children)*	*Novartis / CSL Ltd. / Biological E. Ltd.*

The approval of IXIARO®/JESPECT® marks a crucial milestone in Intercell's evolution as one of the leading independent vaccine development companies.

Our vaccine against Japanese Encephalitis (JE) is marketed and distributed in the U.S., the EU, Canada, and Switzerland by Novartis under the trade name IXIARO®, and in Australia, New Zealand, Papua New Guinea, and the Pacific Islands by CSL Limited under the trade name JESPECT®. In the U.S., the vaccine is licensed for individuals above the age of 17 and in Europe, Canada and Australia it is licensed for those above the age of 18. We plan to file for regulatory approval in several other important markets for travel vaccines.

Intercell distributes the JE vaccine to the armed forces and military personnel in the U.S. under an exclusive five-year contract with the Defense Logistics Agency (DLA), the largest combat logistics support agency of the U.S. Department of Defense. Key terms of the contract include exclusive supply of the DLA for all their JE vaccine requirements with annual options for price modifications.

Japanese Encephalitis (inflammation of the brain) is a deadly infectious disease found mainly in Asia. Approximately 30,000 to 50,000 cases of Japanese Encephalitis are reported in Asia each year, and the actual number of cases is likely to be much higher due to underreporting in rural areas. Japanese Encephalitis is fatal in approximately 30% of individuals who show symptoms and results in permanent disability in half of the survivors[1]. There is currently no specific treatment for Japanese Encephalitis, and vaccination is the best protection for travelers and military personnel who live in, or travel to, high-risk areas.

[1]*Source: CDC, http://www.cdc.gov/ncidod/dvbid/jencephalitis/facts.htm*

IXIARO®/JESPECT® – Vaccine to prevent Japanese Encephalitis

Intercell's JE vaccine consists of a purified, inactivated vaccine for active immunization against JE. The vaccine virus is additionally attenuated. The product is derived from tissue culture rather than live organisms and does not contain gelatin, any other stabilizer, or any preservatives in its formulation. The vaccine offers protection against JE for adults who travel to, or live in, endemic areas. In addition to the travel markets, we also plan to make the vaccine available for pediatric and adult use in endemic countries.

Intercell's product is the only vaccine against Japanese Encephalitis licensed in Europe. It is manufactured for, and supplied into, the U.S., EU, Canada, Australia and Switzerland and is the only vaccine being produced for the U.S. military. Our JE vaccine is manufactured by Intercell AG's wholly-owned subsidiary Intercell Biomedical Ltd. at our cGMP facility in Livingston, Scotland. The organization operates under a manufacturing license, which was obtained in 2008 from the European Medicines and Healthcare products Regulatory Authority (MHRA). The manufacturing operations have been fully approved by the Food and Drug Administration (FDA) for the U.S. and by the Australian, Canadian and Swiss authorities.

In March 2010, Intercell announced that the Joint Committee on Vaccination and Immunization (JCVI) in the UK updated its recommendations to include the use of IXIARO® for individuals aged 18 years and older. This decision follows the expanded recommendations of the U.S. Advisory Committee on Immunization Practices (ACIP) in 2009. We expect further recommendations in other countries, especially in Europe, where no vaccine against JE has been previously approved.

Customer health & safety and product responsibility

Intercell is operating in a highly regulated industry. Before our products reach our customers in the market, we have to conduct significant pre-clinical and clinical trials and fulfill very strict regulatory requirements.

We take the health of our customers very seriously and have taken measures internally to ensure that our products are safe. A Product Safety Committee regularly reviews the safety profile of our first product on the market, the vaccine for the prevention of Japanese Encephalitis. If needed, the committee recommends escalation of safety issues to the Product Safety Review Board.

Furthermore, Intercell has created routine Pharmacovigilance programs and enhanced surveillance in special populations. In addition, post-licensure safety studies in different regions and populations are ongoing to confirm the safety of the product. Intercell's daily Pharmacovigilance system operations are laid down in standard operating procedures to ensure an appropriate handling of safety information.

The results of our trials are published in scientific papers. In 2010, three full scientific papers on IXIARO® and its use in healthy adults in non-endemic areas and in a small pediatric population in a JE-endemic area were published.

To date, Intercell has successfully passed all inspections by regulatory authorities and followed all relevant regulations and guidance when developing and distributing vaccines.

PRODUCTS IN CLINICAL DEVELOPMENT

Vaccines in clinical phases

PRODUCT CANDIDATE	VACCINE TYPE	STATUS/ PHASE	EXPECTED MILESTONES	PARTNER/ COLLABORATOR
Staphylococcus aureus vaccine	*Prophylactic*	*Phase II/III (sequential design)*	*First efficacy data 2011/ progression into Phase III*	*Merck & Co., Inc.*
Pseudomonas vaccine	*Prophylactic*	*Phase II*	*Novartis opt-in decision in H1 2011; next clinical trials*	*In-house, Novartis option*
Clostridium difficile vaccine	*Prophylactic*	*Phase I*	*Phase I data*	*In-house*
Hepatitis C vaccine	*Therapeutic*	*Phase II*	*Start combination clinical trial*	*Romark*
Pandemic Influenza vaccine patch system	*Prophylactic*	*Phase I/II*	*Further Phase I data*	*GlaxoSmithKline / supported by HHS*
Pneumococcus vaccine	*Prophylactic*	*Phase I*	*Start of studies in target populations (children/elderly)*	*In-house/supported by PATH*
IC31® Tuberculosis vaccine	*Prophylactic*	*Phase I*	*Phase II start in 2011*	*Statens Serum Institut / sanofi-aventis / supported by AERAS*
IC31® Seasonal Influenza vaccine	*Prophylactic*	*Phase I*	*Further Phase I*	*Novartis*
Travelers' Diarrhea Vaccine Patch	*Prophylactic*	*Phase II/III*	*Program discontinued*	*GlaxoSmithKline*

Focus on hospital-acquired infections – addressing a growing problem

Hospital-acquired infections are one of the major causes of death and serious illness worldwide, resulting in an annual cost burden of more than USD 20bn in the developed world. In the U.S. and Europe, about 6 million patients become infected annually resulting in 140,000 deaths per year. The incidence of nosocomial infections is steadily rising due to the increase in medical interventions and in antibiotic resistance. Intercell's growing nosocomial franchise includes a vaccine against Staphylococcus aureus in Phase II/III, partnered with Merck & Co., Inc., a vaccine candidate against Pseudomonas aeruginosa (Phase II) as well as a vaccine candidate against Clostridium difficile (Phase I).

Staphylococcus aureus vaccine

S. aureus is the most frequent cause of hospital-acquired infections and accounts for about 30% of all such cases. In addition to bloodstream infections with a mortality rate of up to 35%, infections of the bone, heart and other internal organs lead to serious health complications, death and economic burden. Approximately half of all S. aureus strains isolated in hospitals worldwide are resistant to multiple antibiotics.[1]

Intercell's investigational Staphylococcus aureus vaccine (V710) is currently undergoing Phase II/III studies in cardiothoracic surgery patients and a Phase II study in patients with end-stage kidney disease under hemodialysis. The trials are conducted and funded by Merck & Co., Inc. and are progressing according to plan. The first critical interim analysis (surpassing futility) from the Phase II/III study in patients undergoing cardiothoracic surgery is expected in 2011.

In November 2010, Intercell announced initial results from a Phase II clinical trial of V710 that was designed to evaluate the safety and immunogenicity of the vaccine in patients with end-stage renal disease (ESRD) undergoing hemodialysis treatment. In the randomized double-blind, placebo-controlled study, 201 patients received the vaccine or a placebo at 12 centers in the U.S. Overall, the immunogenicity data suggest that V710 can elicit a sustained immune response in a relatively immunocompromised patient population who are at chronic risk for developing serious S. aureus infections. On the whole, the results of the safety evaluations demonstrated that V710 was generally well tolerated when administered as a single- or multiple-dose regimen at any dosage group studied. There were no vaccine-related serious adverse experiences reported throughout the study duration (Days 1 to 360), and no patients discontinued the study or subsequent vaccinations due to a vaccine-related adverse experience.

The ongoing Phase II/III trial conducted by Merck & Co., Inc. is designed to evaluate investigational vaccine efficacy/safety in patients undergoing cardiothoracic surgery. The double-blind, randomized, placebo-controlled trial follows a sequential design and can be extended directly into Phase III after an interim analysis of the data. The study involves more than 90 centers in 18 countries, including the U.S., Europe, South America, and Japan.

The prophylactic S. aureus vaccine candidate is based on a conserved protein antigen discovered by Intercell and licensed to Merck & Co., Inc. in 2004 on an exclusive worldwide basis. Collaborator Merck & Co., Inc. is responsible for product development, manufacturing, and future marketing & distribution.

[1]*Sources: Hospital Physician, http://turner-white.com/pdf/hrm_IM_pre11_3.pdf http://www.cdc.gov/ncidod/dhqp/pdf/ar/mdroGuideline2006.pdf. We estimate that the global market potential for future S. aureus vaccines will exceed EUR 3bn.*

Pseudomonas aeruginosa vaccine

Infections are caused by the bacterium Pseudomonas aeruginosa, which is a free-living bacterium tolerant to a wide variety of physical conditions. It is noted for its environmental versatility, ability to cause disease in particularly susceptible individuals, and its frequent resistance to antibiotics.

In most cases, Pseudomonas infections affect hospitalized persons. Infections of the heart, respiratory system, skin, and soft tissue are common. An infection is a special threat to patients who are immunosuppressed, suffering from severe burns, cancer, or HIV. Pseudomonas is the second most common cause of nosocomial infections and the most common cause of intensive care unit Pneumonia.

In October 2010, Intercell announced positive results from a Phase II clinical trial investigating the Company's nosocomial vaccine candidate against infections with the bacterium Pseudomonas aeruginosa (IC43). The Phase II study in intensive care patients met primary immunogenicity and safety endpoints and demonstrated feasibility to assess Pseudomonas aeruginosa vaccine efficacy in ventilated intensive care patients. Serious vaccine-related side effects, which would raise any safety concern, were not observed. A very interesting effect was observed in the reduction of mortality. A lower mortality rate was found in all vaccine groups compared to the control group. The reduction in mortality rate was statistically significant ($p = 0.0196$) for the non-adjuvanted vaccine (21.7% mortality in the non-adjuvanted IC43 group compared to 40.0% mortality in the placebo group at day 28). If this effect is confirmed in pivotal clinical trials, it could make IC43 a very important product for ICU patients (patients in intensive care units).

Intercell's investigational vaccine is a recombinant subunit vaccine consisting of two outer membrane proteins of Pseudomonas aeruginosa. The results provide a strong basis for evaluation of further development options. Intercell and its partner Novartis will determine next steps during the first half of 2011.

Clostridium difficile vaccine

After successful pre-clinical trials, Intercell is progressing its vaccine candidate to prevent infections with Clostridium difficile (C. difficile) into the clinical development phase. C. difficile is the leading cause for nosocomial Diarrhea in Europe and the U.S. It is estimated that in the U.S. alone about 500,000 to 3 million people become infected every year while receiving treatment at the hospital. Currently, no vaccine against C. difficile exists and antibiotic treatment of the established disease has significant limitations. Intercell aims at developing a vaccine for the prevention of recurring C. difficile Diarrhea, for hospital prophylaxis and eventually community-wide prophylaxis on an age- and risk-based vaccination strategy. The Phase I clinical study started at the end of 2010.

Hepatitis C virus vaccine

The Hepatitis C virus (HCV) is a major cause of chronic liver disease, including Cirrhosis and Liver Cancer. According to the WHO, approximately 170 million people worldwide are chronic HCV carriers, and 3 to 4 million are newly infected each year. In the U.S. alone, 8,000 to 10,000 deaths and 1,000 liver transplants due to HCV infections are recorded each year.

Currently, no vaccine against Hepatitis C is available and the infection can only be treated with a combination of interferon and ribavirin – a long-term therapy with limited efficacy, high treatment costs, and substantial side effects.

In October 2010, Intercell and Romark Laboratories L.C. announced plans to commence a clinical trial with Intercell's investigational therapeutic Hepatitis C virus vaccine, IC41, in combination with Romark's antiviral drug, nitazoxanide, during the first half of 2011.

Intercell's vaccine candidate has demonstrated a sustained reduction of viral load in chronic Hepatitis C (CHC) patients in a Phase II proof-of-concept trial. Nitazoxanide is an oral therapy that targets host cell factors involved in HCV replication and is not associated with viral mutations conferring resistance. Nitazoxanide has been shown to induce sustained virologic response as monotherapy in some patients chronically infected with HCV.

The planned European Phase II trial will include about 60 treatment-naïve patients chronically infected with HCV genotype-1 in three treatment arms: (1) IC41 plus nitazoxanide, (2) IC41 plus nitazoxanide and Pegasys® (peginterferon alfa-2a) and (3) Pegasys® and Copegus® (ribavirin), the current standard of care, as an active control.

The primary endpoint will be sustained virologic response (no detectable HCV RNA 24 weeks after end-of-treatment). The companies involved in the combination study will retain commercial rights for their respective products.

Intercell's investigational therapeutic vaccine has been designed to elicit an effective immune response against HCV, which ultimately is deemed necessary for sustained clearance of the virus. In a successful proof-of-concept trial involving around 50 treatment-naïve genotype-1 CHC patients, an optimized schedule of therapeutic vaccination achieved viral load reductions of more than 75% (0.6 log) in patients with high baseline RNA levels. Importantly, this reduction was sustained for at least six months following the end of treatment. As in previous trials with the vaccine from Intercell, vaccination was safe and well tolerated with minimal side effects.

[Vaccine Enhancement Patch (VEP) – Vaccine patch system to improve Pandemic Influenza prevention

Three major Influenza pandemics occurred in the 20th century leading to the death of more than 50 million people globally. By U.S. government estimates, Pandemic Influenza has a greater potential to cause deaths and illnesses than virtually any other natural health threat.[1]

[1]*Source: WHO, http://www.who.int/csr/disease/influenza/pandemic10things/en/index.html). The market sales for vaccines in the 2009 H1N1 pandemic are estimated at about EUR 1bn (source: Frost & Sullivan).*

Intercell is developing a VEP designed to enhance the immune response to existing injected PanFlu vaccines. If successful, the patch will expand the limited vaccine supplies by allowing fewer or lower doses of vaccine.

In May 2009, Intercell started a Phase II clinical trial, fully funded by the HHS, comprising the VEP and an injectable vaccine manufactured by Solvay Biologicals, B.V. for Avian H5N1 Influenza. The trial was conducted in the U.S. and enrolled 500 subjects at six study sites. The randomized and blinded study aimed to determine the optimal dosage of both the VEP and H5N1 influenza vaccine injected concomitantly, when combined with each other in a single dose regimen. In July 2010, data from this Phase II clinical trial were announced. The study did not identify the optimal combination of antigen and adjuvant because no statistically significant difference in seroprotection rates as measured by haemagglutinin inhibition assay was observed when comparing groups with and without VEP. However, the results demonstrated a good safety profile for all doses of injectable vaccine and adjuvant patches studied. Furthermore, a dose-dependent response to the H5N1 antigen was observed. Anti-LT antibody responses in study subjects receiving the patch confirmed that Intercell's VEP could consistently deliver the vaccine adjuvant.

Intercell and GlaxoSmithKline are currently evaluating the further development of the investigational VEP system for Avian H5N1 Influenza vaccination as part of a collaborative agreement signed in December 2009.

Pneumococcus vaccine

Streptococcus pneumoniae, or Pneumococcus, is a very common bacterial infection in both industrialized and developing countries. In particular, young children and the elderly represent high-risk populations of developing Pneumococcal infections. Annually, according to the WHO, the bacterium kills up to one million children under the age of five years worldwide. It accounts for many bacterial Meningitis cases in adults and it is the most common cause of Bacteremia, Pneumonia, Meningitis, and Otitis media in young children. In February 2010, Intercell announced results from a Phase I clinical trial for the investigational Pneumococcus vaccine. In the first-in-man trial, 32 healthy adults were vaccinated with Intercell's investigational vaccine. Two antigen dosages, with and without addition of aluminum hydroxide, were applied in four different study groups.

The initial analysis of the data has indicated a good safety and tolerability of the vaccine candidate, which was confirmed by a Data Safety Monitoring Board. The vaccine was immunogenic, and antigen dose-dependent induction of antibodies was confirmed for all three proteins of the vaccine.

The Company's vaccine candidate is a recombinant subunit vaccine consisting of three conserved surface proteins from Streptococcus pneumoniae. Two of these proteins were discovered using Intercell's proprietary Antigen Identification Program (AIP®), while the third was in-licensed from the U.S. Centers of Disease Control and Prevention (CDC).

The development of Intercell's vaccine to prevent Pneumococcal disease is supported by PATH, a globally operating NGO. Based on the satisfactory Phase I safety and immunogenicity data in healthy adults, Intercell and its partner PATH are evaluating potential next development steps.

IC31® Tuberculosis vaccine

Tuberculosis (TB) is caused by Mycobacterium tuberculosis, the most common cause, and Mycobacterium bovis. Globally, according to the WHO, someone is newly infected with the pathogen every second, about one-third of the world's population carries the infectant latently, and the disease causes the death of more than 1.6 million people every year. This makes TB one of the most severe global health problems.
The existing Bacillus Calmette-Guérin vaccine (BCG) is a live attenuated vaccine that, when given to newborns, provides protection against TB for the first 10-15 years. However, when the protective effect decreases, an additional BCG vaccination does not provide sufficient protection against TB in adolescents and adults. In addition, the world faces an increase in multidrug resistant strains of Mycobacterium tuberculosis, highlighting the urgent need for an improved vaccine.

The investigational vaccine targeting Tuberculosis combines Intercell's adjuvant IC31® with antigens discovered by the Danish Statens Serum Institut. Multiple Phase I clinical trials are proceeding according to plan. These programs are based on a partnership between Intercell, Statens Serum Institut, sanofi-aventis, and the AERAS Global Tuberculosis Foundation.
Currently, a total of five clinical trials with IC31®-formulated vaccines against TB are ongoing.
If successful, these trials form the basis to create a leading franchise to fight this important disease.
Phase I clinical programs are proceeding according to schedule and promising clinical data have been obtained in multiple Phase I studies. Start of a Phase II study is expected for 2011.

IC31® Influenza vaccine

Influenza is a contagious respiratory illness characterized by the sudden onset of high fever, muscle pains, and a runny nose. Each year up to 15% of the world population suffers from an Influenza infection. Although difficult to assess, these annual outbreaks are thought to result in three to five million cases of severe illness, and between 250,000 and 500,000 deaths throughout the world. This vaccine candidate combines Intercell's adjuvant IC31® with seasonal Influenza vaccines from our strategic partner Novartis.

The final data from an initial Phase I clinical trial conducted by Intercell, which was completed in February 2008, showed an excellent safety and tolerability profile. In all study groups included, vaccination with the IC31® Influenza vaccine led to the induction of virus-specific T-cells measured by interferon-gamma ELIspot and proliferation assays as well as protective levels of antibody responses (HAI titers) against all three included Influenza strains.

Vaccination is the principal measure for preventing Influenza and reducing the impact of epidemics. The currently available, mostly non-adjuvanted vaccine products have a suboptimal efficacy profile, especially in the population groups with the highest disease burden (elderly and infants). Also, 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 broader protection are needed.

The agreement between Intercell and Novartis, signed in 2007, provides Novartis with an exclusive license to utilize IC31® in future potential developments of a seasonal Influenza vaccine targeting improved immunogenicity profiles. Further clinical development steps are under evaluation.

Travelers' Diarrhea Vaccine Patch

Diarrhea caused by enterotoxigenic E. coli (ETEC) is a disease associated with significant morbidity in travelers to areas of the world where fecal contamination of food and water is common. Travelers' Diarrhea (TD) is generally a 4-5 day illness with frequent loose stools, usually associated with nausea, vomiting, abdominal cramps, prostration, and dehydration. ETEC is also implicated in new onsets of post-infectious Irritable Bowel Syndrome (IBS), which affects 10 to 20% of travelers who develop Travelers' Diarrhea.

In October 2009, the vaccine candidate entered Phase III clinical development (ELT-301) with 2,036 adult travelers from Europe to Mexico and Guatemala. The study aimed at evaluating the efficacy of the TD vaccine to actively immunize against moderate to severe ETEC disease in a field setting. In December 2009, Intercell and GlaxoSmithKline formed a strategic alliance that includes the marketing and distribution of the patch-based TD vaccine.

In January 2010, Intercell announced the start of an additional Phase II study (ELT-209) in 723 adult travelers from Europe to India as part of the clinical development program. This pilot study was conducted to evaluate the vaccine candidate in a different epidemiological setting.

In December 2010, Intercell announced preliminary clinical results on its investigational Travelers' Diarrhea Vaccine Patch program and the decision not to continue pursuing the development of this vaccine candidate. The decision was based on the results of its randomized and placebo-controlled Phase III study (travelers to Latin America) as well as the pilot efficacy Phase II trial (travelers to India).

The trials' primary endpoints, reduction of incidence of all types of enterotoxigenic E. coli and/or all cause Diarrhea (secondary endpoints) comparing the vaccine groups with the placebo group, were not met. Thus, in the Phase III study a non-significant vaccine efficacy for about 35% for all type ETEC and no apparent effect on the frequency of all-cause moderate to severe Diarrhea was observed. However, a statistically significant reduction of duration of all-cause diarrheal episodes and total number of unformed stools was observed, confirming observations from a previous Phase II study.

In the Phase III study, the vaccine protected most against LT positive ETEC (up to 60%). However, the study was not powered to demonstrate a statistically significant efficacy against individual ETEC types. Furthermore, the incidence of LT positive ETEC in both trials (ELT-209 and ELT-301) was lower than expected, compared to previous trials and published data.

However, the current trials have confirmed the previous Phase II observation of an induction of protective levels of antibodies against the LT-toxin following transcutaneous immunization and using the Company's proprietary delivery technology. This clearly supports and validates patch-based vaccination as a possible route of immunization for future potential product candidates.

Intercell is carrying out further analyses of the trial results.

PRODUCTS IN PRE-CLINICAL STAGES

Intercell is committed to innovation and to expand its existing technological roots. By continuous discovery work with a flexible, entrepreneurial spirit of a biotech organization, Intercell's research group is delivering interesting and promising pre-clinical product candidates for potential development entry evaluation.

A summary of our pre-clinical development candidates, which includes a number of therapeutic antibody programs from our in-house identification capabilities, is shown below:

Vaccines in pre-clinical stages

PRODUCT CANDIDATE	VACCINE TYPE	STATUS/ PHASE	EXPECTED MILESTONES	PARTNER/ COLLABORATOR
Group A streptococcus vaccine	*Prophylactic*	*Pre-clinical*	*Phase I start*	*In-house*
Lyme borreliosis (Lyme disease) vaccine	*Prophylactic*	*Pre-clinical*	*Phase I start*	*In-house*

Antibodies in pre-clinical stages

PRODUCT CANDIDATE	ANTIBODY TYPE	STATUS/ PHASE	EXPECTED MILESTONES	PARTNER/ COLLABORATOR
S. aureus antibodies	*Therapeutic (in infected patients)*	*Pre-clinical*	*Phase I start*	*Merck & Co., Inc.*
Pneumococcus antibodies	*Therapeutic (in infected elderly)*	*Pre-clinical*	*Pre-clinical proof-of-concept, Phase I start*	*Kirin*
Group B streptococcus antibodies	*Prophylactic (in premature newborns)*	*Pre-clinical*	*Pre-clinical proof-of-concept, Phase I start*	*In-house*
Influenza antibodies	*Prophylactic and/or therapeutic*	*Pre-clinical*	*Pre-clinical proof-of-concept, Phase I start*	*In-house*

Gene Technology

In the early 1970s, the advent of gene cloning, pioneered by H. Boyer and Stanley N. Cohen and the monoclonal antibody technology invented by César Milstein and Georg Koehler, opened the gates for the development of novel vaccines and immune therapies. We are proud that one of those four legendary scientists, Stanley N. Cohen, is serving on Intercell's Scientific Advisory Board. Intercell is clearly a successful paradigm of a biotech vaccine company, which has most consequently been utilizing these two revolutionary technology tools that have changed the biomedical arena.

Recombinant DNA technologies are pivotal for our genomic approaches to identify novel and protective antigens, to design vaccines, to monitor their efficacy and to facilitate the development of platform technologies, like our adjuvant and delivery patches, but also to utilize bacteria and cell lines to produce our vaccines in the cleanest fashion.

Furthermore, without recombinant DNA technologies, it would have been impossible to study the immune mechanisms protecting the host against pathogen infections. These technologies provided the knowledge base that allows the development of novel vaccines targeting diseases where classical vaccine approaches would have failed to deliver.

With the acquisition of our novel monoclonal antibody technology, Intercell has integrated the other important technology platform and value driver of biotech. The technology will enable the Company to dramatically extend its portfolio beyond active vaccination and to enter the attractive field of novel therapies against infectious diseases.

OUR

CAPITAL

TECHNOLOGIES & PARTNERSHIPS

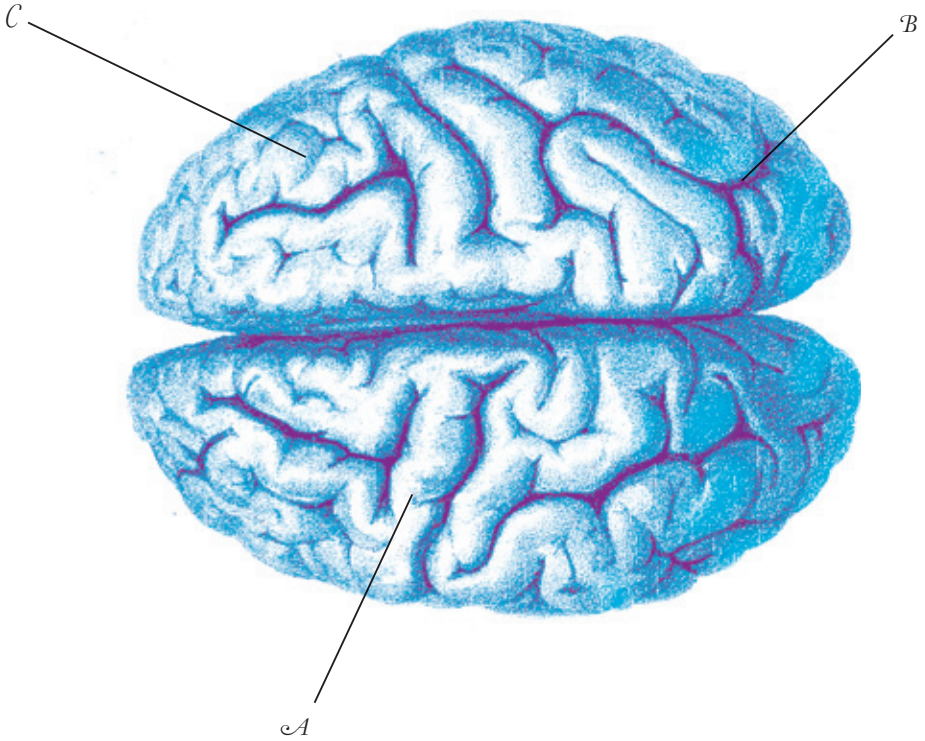


Fig. 2 — *THE RIGHT PLACE TO ANALYZE, THINK, INVENT ...*

Aside from our advanced vaccine projects, Intercell's active capital and brain trust includes the innovative technologies our talented scientists have developed. In (B) we are working successfully on highly attractive nosocomial vaccine candidates. (C) symbolizes our Antigen Identification Program and our Adjuvant-Technology. Our financial capacity is located in the right hemisphere of the brain (A). This is also where you will find all of our partnerships with the best global companies: sanofi-aventis, Novartis, Merck & Co., GlaxoSmithKline, etc.
Our bird's-eye view of the brain stems from the Bourgery | Jacob Atlas of Anatomy, which dates to 1831-1854.

New vaccine technologies such as novel antigens, combination vaccines, adjuvants which boost vaccine effectiveness and reduce dosing requirements, novel delivery methods (for example oral, nasal or transcutaneous delivery) and improved manufacturing processes are expanding the sector in niche and untapped markets. Research and development is increasingly conducted under alliances between the larger manufacturers and smaller biotechnology firms and is progressing in areas of substantial unmet medical need.

Intercell is initiating new approaches to vaccine development with the goal of improving worldwide access to healthcare. With its technology platforms, Intercell is positioned as one of the most innovative vaccine companies worldwide.

The strength of Intercell's technologies is emphasized by partnerships and collaborations with world leading research-based pharmaceutical and healthcare companies.

Antigen Identification Program – AIP®

The design and development of novel subunit vaccines is highly dependent on the identification and characterization of the appropriate antigens. Intercell has successfully identified and refined a large number of relevant and protective antigens for several bacterial pathogens mostly through its Antigen Identification Program (AIP®).

Selected antibodies, which are derived from infected or healthy exposed individuals and therefore directly mirror the presence, accessibility, and antigenicity of relevant proteins from the particular microorganism in its human host, are used in a proprietary screening process. Through AIP®, Intercell's team discovers antigens that are believed to induce the most protective response from the human immune system, thus providing a viable basis for the development of novel and more powerful prophylactic and therapeutic vaccines, as well as antibody treatments.

AIP® has successfully been applied to identify a large number of novel antigens from several pathogenic organisms including Staphylococcus aureus and epidermidis, Streptococcus pneumoniae, Streptococcus agalactiae and pyogenes, Enterococcus faecalis, Klebsiella pneumoniae, Borrelia spp., ETEC, Shigella, Campylobacter jejuni, non-typable Haemophilus influenzae, and Moraxella catarhalis.

The AIP®-technology has resulted in promising in-house product candidates and generated strategic partnerships, e.g. current partnerships are ongoing with Novartis, Merck & Co., Inc. and sanofi-aventis.

Monoclonal Antibody Discovery

In June 2010, Intercell acquired Cytos Biotechnology Ltd.'s platform technology for monoclonal antibody discovery.

The technology is based on expression cloning of monoclonal antibodies from human B-cells and enables the identification of anti-infective antibodies to prevent and treat infectious diseases. Intercell acquired certain unpartnered monoclonal antibody assets, including promising pre-clinical anti-infective antibody candidates discovered by Cytos. The antibody technology complements Intercell's technology platforms and opens novel medically and commercially relevant applications for Intercell's Antigen Identification Program (AIP®).

In its future antibody discovery activities Intercell will focus on Influenza and medically and commercially attractive AIP® derived disease targets including Group B Streptococcus and bacteria involved in hospital-acquired infections.

Intercell's Adjuvants

Adjuvants educate the immune system to recognize pathogens and develop an adaptive immune response. Intercell's adjuvants may address an unmet medical need for treatment because they induce antibodies and also T-cell immunity, and can be used together with a variety of different antigens. Existing adjuvants on the market induce antibodies, but often no, or only insufficient, T-cell immunity.

IC30

The first generation of Intercell's adjuvants is Poly-L-Arginine. Poly-L-Arginine is not immunogenic per se and allows for repeated vaccination without the risk of becoming ineffective due to neutralizing antibodies. Intercell's synthetic first-generation therapeutic Hepatitis C vaccine consists of Poly-L-Arginine and defined antigenic peptides. Thus, IC30, or Poly-L-Arginine, has been included in clinical trials and currently available data demonstrates that it induces T-cells in humans.

IC31®

Intercell's adjuvant IC31® induces T-cell and B-cell responses. It consists of a unique synthetic formulation combining the immunostimulating properties of an anti-microbial peptide, KLK, and an immunostimulatory oligodeoxynucleotide, ODN1a. The two-component solution can be easily formulated with antigens; no conjugation is required.

The adjuvant is part of several vaccine candidates and has shown a satisfactory safety and immunogenicity profile when tested in humans. Patients receiving IC31® have reported good local tolerance with no systemic adverse effects reported during clinical studies.

IC31® is used in conjunction with several vaccines being co-developed with partners in clinical programs, including prophylactic vaccines against Influenza and Tuberculosis. In addition, IC31® has been out-licensed for use in pre-clinical vaccine projects targeting diseases such as Malaria, Meningitis and various sorts of infectious diseases. Further partnering activities are planned to also include the use of IC31® in vaccines against allergies, and cancer.

LT – Labile toxin of ETEC

Intercell has also been utilizing the adjuvantal effect of the LT-toxin employed as an adjuvant in the Vaccine Enhancement Patch, for example as part of the investigational Pandemic Influenza vaccine patch system. LT and its derivatives have a proven effect as adjuvants. In ongoing projects, Intercell will further explore applications of LT and its derivatives as adjuvantal tools to optimize the patch technology.

Vaccine Patch Technology

The patch technology offers a new way of vaccine delivery that may make the vaccines easier to administer, faster to deliver, and may result in lower or fewer doses. The Vaccine Patch is a new and needle-free delivery technology, which can be used to:

- Develop new vaccines which require transcutaneous administration without a needle: Vaccine Patch
- Enhance the effect of injected vaccines: Vaccine Enhancement Patch (VEP)

Compared with standard immunization via needles, the Vaccine Patch could offer certain benefits, e.g. easy administration and direct delivery of the antigen and adjuvant to the immune system through a natural defense pathway, which could make vaccination more efficient.

In studies, the VEP was shown to boost cellular immunity to a diverse range of antigens and to stimulate both B-cell and T-cell responses. It contains the heat-labile enterotoxin from E. coli (LT), a potent stimulator of the immune system.

Currently, Intercell develops an investigational immunostimulating VEP to improve Pandemic Influenza prevention (Phase II clinical trials; funded by the U.S. Department of Health and Human Services, HHS; Contract n° HHSO100200700031C).

The Vaccine Patch technology was also used in the development of a Traveler's Diarrhea Vaccine Patch. Since the endpoints of the Phase II and Phase III trial were not met, the development of the patch-based vaccine candidate against Traveler's Diarrhea will no longer be pursued. However, the trials have confirmed the previous Phase II observation of an induction of protective levels of antibodies against the LT-toxin following transcutaneous immunization and using the Company's proprietary delivery technology. This clearly supports and validates patch-based vaccination as a possible route of immunization for future potential product candidates.

In December 2009, Intercell and GlaxoSmithKline signed an agreement to form a strategic alliance to accelerate the development of Intercell's needle-free Vaccine Patch technology for the delivery of new or existing antigens.

Intercell is leveraging its innovative science, cutting-edge technology platforms in collaborations, licensing, and acquisition to bring novel vaccines to the market. We have validated our unique approaches to vaccine development through our partnerships with global pharmaceutical organizations, including Novartis, GlaxoSmithKline, Merck & Co., Inc. and sanofi-aventis.

Intercell's strategic collaborations partly fund the Company's burgeoning pipeline while at the same time enabling us to capitalize on our partners' global development and commercial resources to effectively bring new products to the markets.

Additional partnerships and collaborations in 2010

In 2010, Intercell announced that it has entered into a worldwide Option and Exclusive License Agreement under which Boehringer Ingelheim Vetmedica has the right to use certain antigens derived from Intercell's Antigen Identification Program (AIP®) to develop animal vaccines. Under the agreement, Intercell will receive upfront, option and milestone payments as well as royalties on product net sales.

In October 2010, Intercell and Romark Laboratories L.C. announced plans to commence clinical trials of Intercell's investigational therapeutic Hepatitis C virus vaccine, IC41, in combination with Romark's antiviral drug, nitazoxanide, during the first half of 2011.

We are regularly in discussions with our collaboration partners, the management of companies in, and related to, the biotech and healthcare sector and others. Some of these discussions help us explore new opportunities to grow our current business, enter into new collaboration agreements, acquire complementary technologies, including the area of antibodies, or engage in a promising new business area.

INDICATION	*PARTNER*
Japanese Encephalitis (JE) vaccine	*Novartis / CSL Ltd. / Biological E. Ltd.*
Staphylococcus aureus vaccine	*Merck & Co., Inc.*
IC31® Seasonal Influenza vaccine	*Novartis*
Pandemic Influenza Vaccine Enhancement Patch	*GlaxoSmithKline / HHS*
IC31® Tuberculosis vaccine	*Statens Serum Institut / sanofi-aventis / AERAS*
Hepatitis C vaccine	*Romark*
Pneumococcus vaccine	*PATH*
Bacterial vaccine (undisclosed indication)	*sanofi-aventis*
Staphylococcus aureus antibodies	*Merck & Co., Inc.*
Pneumococcus antibodies	*Kirin*
Antigens for animal vaccines (undisclosed indications)	*Boehringer Ingelheim Vetmedica*
Patch technology (undisclosed indications)	*GlaxoSmithKline*
Group B Streptococcus vaccine	*Novartis*

INTERCELL'S STAKEHOLDERS – THE CENTER OF ATTENTION

As Intercell makes an active contribution to people's health, our core business affects the interests of many people. Therefore, transparency and a continuous dialogue with all stakeholders are among Intercell's major goals. By actively exchanging information we want to make our actions comprehensible. This also helps us meeting the needs and changing requirements of a growing vaccine market. In the following sections we present our most prominent stakeholders and the focus of interaction.

Shareholders & the Financial Community

Intercell is committed to continue operating on solid financial ground through our product sales and multiple revenue-generating partnerships that contribute to a growing revenue stream. Our strategy is to maximize the value of our pipeline by reinvesting revenues into outstanding R&D.

Additionally, Intercell's Management attaches high priority to providing transparent and timely information to investors and shareholders. In 2010, Intercell's Management Team presented the Company at 35 global investor conferences and road shows, and at several healthcare conferences, as well as numerous one-on-one meetings with individual and institutional investors. At its annual Open House, Intercell invites local shareholders to visit the Company, obtain information about the Company's recent development and have the opportunity to meet members of the Management Board.

Customers

Intercell's vision is to save lives, prevent disease and reduce suffering with innovative vaccines. The Company develops novel vaccines including needle-free applications for the 21st century that prevent and treat diseases and enable improved worldwide access to healthcare. By developing innovative vaccines, Intercell makes an active contribution to people's health.

There are several significant challenges to meeting the need of a growing and changing vaccine market: One of the most important areas of focus in this industry is the prevention of hospital-acquired infections. Intercell's progress in new disease areas will help to meet this challenge. Another challenge will be to make innovation accessible to developing countries. Intercell's approved Japanese Encephalitis vaccine and its other investigational vaccines can bring innovation to all geographic areas.

Suppliers

We choose our business partners carefully, with an overall goal of sharing commitment to business integrity and healthcare innovation. Long-term relationships with our business partners and, where possible, a focus on local suppliers underlines our understanding of sustainability. Moreover, we are aiming to implement new common procurement practices for suppliers that are related to Intercell's Code of Conduct and our CSR mission statement.

Governance, Communities & Authorities

Intercell takes very seriously its ethical and legal obligations to its stakeholders, its customers, its business partners and all government authorities. Over the last years Intercell has been establishing good relationships with competent authorities, on a local and global level. Intercell has successfully passed all inspections by regulatory authorities.

Business partners and collaborators

We have validated our unique approaches to vaccine development through our partnerships with global pharmaceutical organizations, including GSK, Novartis, Merck & Co., Inc. and sanofi-aventis. We have built a reputation for transforming innovation into products that provides our partners and potential future partners with trust and confidence in our technologies. Our partners highly appreciate Intercell's spirit of innovation, our operational excellence and experience to bring products to market.

International scientific community

We are dedicated to develop novel and innovative vaccines for the prevention and treatment of infectious diseases with substantial unmet medical needs. Our R&D team is united by a strong desire to develop a new generation of vaccines and to bring innovation to all geographic areas.

Intercell aims at remaining a top vaccine company and a recognized forerunner in new ways of delivering vaccines. Therefore, Intercell is committed to fostering and participating in scientific networks and supporting various scientific conferences to drive research and innovation ahead. In accordance with this commitment, Intercell maintains excellent international research collaborations with universities and research organizations to reach the common goal of saving lives. In 2010, our employees attended more than 20 international conferences and symposia.

In addition, we also support scientific projects such as conferences. In particular, Intercell supports the International Semmering Vaccine Symposia, bringing together world leading scientists, top class vaccine developers, and renowned experts from the financial and pharmaceutical arena. The Semmering Vaccine Symposia, which was first held in 2003, has become a very important and internationally recognized platform. Vienna Vaccines, a non-profit organization devoted to building vaccine networks, organizes the symposia.

Employees

Intercell's team is the backbone of the Company and therefore the commitment of our employees is crucial for our success. Intercell offers its employees the opportunity to work together in an environment with maximum respect in the spirit of international research. The Company's corporate culture reflects the international background of its employees, many of whom are recognized authorities in the field of research, the vaccine industry and administration. Our people are united by a strong desire to develop a new generation of vaccines.

Intercell empowers all employees to realize their personal and professional goals, and those of the Company, in an environment that is cross-cultural, well structured and supportive of individual strengths and team spirit.

Personal development activities linked to an integrated performance management system are key priorities for the entire organization as well as each individual. Intercell encourages participation in training and conferences, and invests in the development of the individual skills and interests of all employees to guarantee that talent is aligned with personal and business needs as well as future success.

We are convinced that values and behaviors are essential to Intercell; they are the indicators that distinguish the Company from others and drive our actions as individuals.

NPO/EcoHimal

Providing cost-effective vaccines to people in developing countries is complicated and a significant challenge for the vaccine industry. Intercell is aware of this challenge and develops vaccines with substantial medical needs. The Company already works with international organizations dedicated to combating illness in developing countries, including those funded by the Bill and Melinda Gates Foundation such as PATH (Pneumococcus vaccine) and AERAS Global Tuberculosis Foundation (Tuberculosis vaccine). In July 2010, Bill Gates visited Intercell's headquarters in Vienna for a close look at the Company's product pipeline and innovative vaccine technologies to fight infectious diseases. During his stay, Bill Gates discussed potential ways of a future co-operation to develop novel and innovative vaccines for the developing world with Intercell's Management Team.

Intercell is convinced that partnerships focused on reducing infectious diseases can save millions of lives and also help to build a stronger foundation for the development and distribution of vaccines. We are committed to improving the health of all people and contributing to support significant and lasting change.

In line with this responsibility, Intercell also supports a healthcare development program in Nepal initiated by the NPO EcoHimal. Over a period of three years Intercell financially supports EcoHimal in its efforts to establish a healthcare system in Nepal. Furthermore, the program aims to raise awareness for healthcare among the people of Nepal in order to positively influence their health-seeking behavior. The programs will be realized together with the local population and in close collaboration with local partners. EcoHimal is convinced that for a successful implementation, the inclusion and adaption of traditional knowledge and skills of the local population are absolutely essential.

Human Rights

Intercell is committed to the protection and preservation of human rights.

Our commitment to human rights is part of our CSR strategy and is reflected in our policies and actions towards our employees, suppliers, customers and the communities and countries where we do business. We strive to create an environment of respect for all individuals. We do not tolerate corruption, discrimination, harassment or forced or child labor in any form.

We believe that, through our actions, we can be a constructive influence for human rights in our social environment.

Code of Conduct

Intercell is committed to conducting business ethically and responsibly and in compliance with applicable laws, rules and regulations. The Company commits itself and expects every employee to live up to the highest standards of integrity in our common mission to develop new vaccines and antibodies.

We share the vision to serve the medical community's needs and to seek significant returns to our stakeholders in continued pursuit of excellent science for the fight against infectious diseases. We try to motivate and help every employee to contribute to Intercell's goals.

The Management Board and the Supervisory Board have adopted a Code of Conduct because they firmly believe it is in the long-term interest of Intercell for business to be conducted in compliance with the principles set out in the Code of Conduct.

Intercell's Code of Conduct applies to all Supervisory Board Members, Management Board Members, directors and employees of Intercell AG and its affiliates. All Intercell employees are required to know, understand and abide by the Code of Conduct as well as attend mandatory training.

WORKING
HAND IN HAND
LOCATIONS & HUMAN RESOURCES

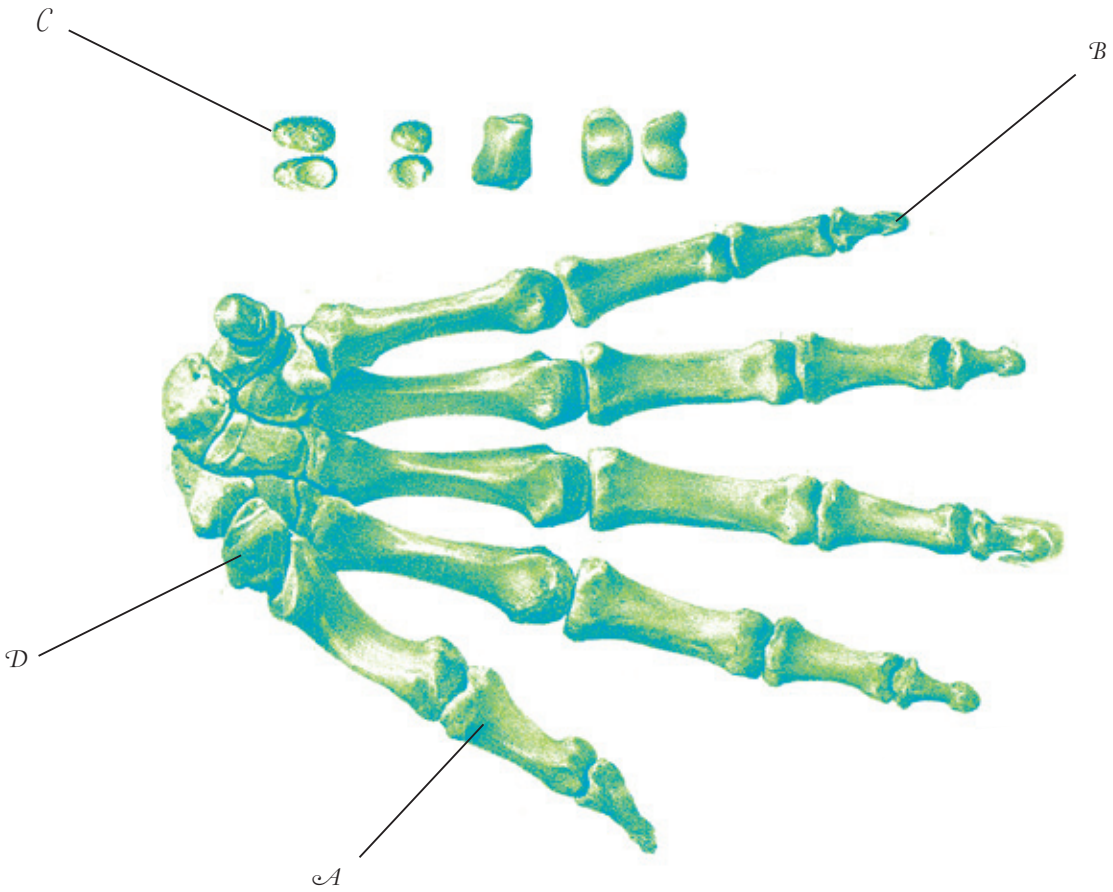


Fig . 3 — **INTERCELL'S HELPING HANDS**

Many hands make light work: This symbolizes the many people at Intercell that keep our company going - whether in the labs, at the PCs, or in the administration of all of our locations: *A* Vienna, Austria, *B* Livingston, Scotland, *C* Gaithersburg, MD, USA and *D* Schlieren, Switzerland.
Bone structure of the human hand, from the Bourgery | Jacob Atlas of Anatomy, which dates to 1831-1854.

Intercell is an international company with, as of December 2010, a workforce of approximately 410 colleagues from more than 25 different countries. The Company has sites in four countries: the corporate headquarters with R&D and QC facilities in Vienna, Austria; manufacturing facilities in Livingston, Scotland; patch-related R&D and manufacturing facilities in Gaithersburg, MD, USA; and a research team focusing on monoclonal antibody discovery in Schlieren, Switzerland. In December 2010, the Company announced to reduce its workforce by approximately 20% which was subsequently implemented.

Intercell AG – Intercell Headquarters

Intercell AG was founded in 1997 as a spin-off from the University of Vienna. Since then the Company has been steadily growing. For 2011, approximately 180 employees are planned to be based in Vienna. Intercell AG's headquarters, located at the Campus Vienna Biocenter in Vienna, accommodates departments for quality operations, R&D and administration, which includes finance and commercial activities.

In addition to using its latest-stage laboratory facilities for R&D activities, Intercell AG holds a certificate of Good Manufacturing Practice (GMP) from the Austrian Agency for Health and Food Safety (AGES) for the Company's Vienna Quality Control laboratories. Intercell AG is currently testing and releasing materials for clinical trials and will start testing its commercial product (JE vaccine) at its Vienna site, leveraging know-how and skills available on site.

We work with a number of contract manufacturing organizations to produce certain clinical trial materials, including the IC31® immunizer (immune-rendering substance) and certain recombinant protein vaccines. These manufacturing partners are technology leaders in their respective fields with established reputations. Use of third parties provides us with additional flexibility and specialized know-how for our various research and development programs. We select and oversee these contractors to guarantee the same high quality standards we aim for at our own manufacturing facilities.

The laboratories in Schlieren, Switzerland, are a branch establishment of Intercell AG. The team consists of five colleagues focusing on research in connection with the platform technology for monoclonal antibody discovery, which the Company acquired from Cytos Biotechnology Ltd. in June 2010.

Intercell Biomedical Ltd.

Intercell Biomedical Ltd. was formed in 2004 when Intercell AG acquired a manufacturing plant in Livingston, Scotland in order to produce clinical supplies for its leading product candidate, the vaccine against Japanese Encephalitis (JE). The manufacturing plant in Livingston is now dedicated to the production of IXIARO® and JESPECT®, the Company's novel JE vaccine. Further investments in the plant have increased the site's capabilities and established a dedicated state-of-the-art, GMP commercial manufacturing facility, which is now able to produce in excess of 1 million doses per year. The Livingston facility, which has seen its workforce grow from 26 to over 90, also has separate development and clinical manufacturing capabilities.

The site consists of a fully integrated manufacturing operation capable of manufacturing commercial JE vaccine up to final bulk. Final fill and finish is undertaken by a qualified contract manufacturing organization and held as inventory for supplies in approved markets.

Vaccine manufacturing requires the highest diligence and is subject to stringent safety standards. Whilst comparatively simple chemical processes are applied during the manufacture of pharmaceuticals, vaccine manufacturing is based on biological processes that, by their very nature, are difficult to manage and control. Manufacturing a vaccine takes about 12 weeks. Temperature, humidity and the number of micro particles in the laboratories must be closely monitored around the clock. Each individual production step is documented and monitored.

The Livingston manufacturing site operates under a Manufacturers' License granted by the Medicines and Healthcare products Regulatory Agency (MHRA). MHRA (2007 and 2009), U.S. Food and Drug Administration (FDA; 2008 and 2010), and Health Canada (2009) have conducted inspections of cGMP-compliant commercial operations over the past years.

Additional GMP inspections by key commercial partners have also been conducted successfully.

Intercell USA, Inc.

Intercell USA, which is planned to operate in 2011 with approximately 40 employees, focuses on the discovery and development of vaccines and immune system stimulants delivered via our novel, needle-free patch technology.

Intercell AG completed the acquisition of Iomai, Inc., forming Intercell USA, Inc. in 2008. In addition to gaining full rights to the R&D programs, Intercell also stepped into the lease for the facility in Gaithersburg, MD. Located outside of Washington D.C. in one of the top 10 biotech regions of the USA, the site has both R&D and manufacturing capabilities.

The site has become Intercell's center of excellence for transcutaneous immunization and patch research and development, including the collaboration with GlaxoSmithKline.

Human Resources – Commitment to our People

Intercell is a young company with a highly motivated workforce from more than 25 countries. Intercell offers its employees the opportunity to work together in an environment with maximum respect in the spirit of international research. The Company empowers all employees to attain their personal and professional goals, and those of the Company, in an environment that is cross-cultural, supportive and well-structured. Intercell is aware that its team is the backbone of the Company and the employees' commitment is the key to success. Therefore, Intercell puts the highest priority on further education, employees' health and equal treatment.

Performance management & career development

Based upon Intercell's commitment to keeping and improving our Company as an outstanding place to work, we want to create a satisfying work environment through a tailored performance management. In this connection corporate motivation, regular performance, and career development reviews play a pivotal role at Intercell. Our performance management process is designed to provide our organization with a consistent method of aligning goals and performance expectations across the organization. Twice a year, supervisors and employees discuss job performance and goal achievement in review discussions. This tool also supports us in acknowledging the outstanding work of our team on a regular basis.

Intercell pays careful attention to lifelong learning, offering performance-driven career development and training to its employees from the early stages of their careers. Intercell supports the self-development of employees and encourages them to attend selected technical, scientific or business-related conferences and seminars that may enhance the knowledge or development of the individual and the Company. Moreover, internal recruiting is an integral part of Intercell's recruiting policy.

Investors in People

A significant milestone in Intercell's continuous commitment to employees was the recognition through the Investors in People Award 2010 for Intercell AG (Vienna). Investors in People was launched to produce a framework, which would help organizations to become more effective by developing and harnessing the skills of their people, with the main objective of achieving the organization's goals. Intercell AG was officially recognized as Investors in People for the first time in 2006.

Intercell regards this Award with great honor as it motivated the Company to focus even more on continuous commitment to the development of our employees throughout the entire organization. Together with our employees we are looking forward to continuous development in people and to the next upcoming re-certification assessment in 2013.

Internal communication

At Intercell, we believe that communication creates awareness. Intercell keeps employees informed of operational changes through a variety of channels. Global as well as site specific news are communicated through our global intranet which can be accessed by all Intercell employees. Following a survey at all sites, the intranet was improved and a new start page with more features and increased functionality and usability was developed and implemented.

In addition to informing our staff via the intranet, the Management Board as well as the team leaders consistently cascade communication through the organization to Intercell employees, e.g. exemplified by our regular All Employee-Meetings at our sites in Vienna, Livingston and Gaithersburg. Besides regular internal meetings and seminars, we believe that communication in an informal setting is equally important. Therefore, all sites offer special internal events such as holiday parties, family get-togethers in the summer, and group sport activities, facilitating informal communication.

Values & Behaviors

Values represent the core priorities in an organization's culture, including what drives employees' priorities and how they act within the organization. They also represent an individual's highest priorities and deeply held driving forces. In addition, they allow employees to more strongly identify with the Company. Behaviors help us to reach our values – how we work together determines what we can truly achieve.

Values & Behaviors reflect both what we are and what we aim to be. Therefore, Values & Behaviors are based on our global vision and mission.

Intercell Biomedical Ltd. (Scotland) started the internal process of defining values and behaviors in 2009. The values were identified by adopting a democratic and open approach with the team in Livingston. In 2010, Intercell AG (Vienna) also implemented the process in order to identify site-specific values and the according behaviors.

Work-Life balance in a family-friendly organization

Intercell sees the Company as more than just an employer – we believe that we are an integral part and a contributing entity to the places in which we live and work. We believe that all employees are entitled to a healthy, well-balanced, and enjoyable lifestyle.

In order to support this, our employees have flexible working hours, individual development opportunities, and the possibility to have adapted working time agreements. In addition, Intercell facilitates teamwork, and sets great store by letting employees participate in the organization's operational and financial success. Some of our employees also have the possibility to work from home for a set number of hours per week – they are provided with laptop computers and access to the files they need.

Furthermore, we have implemented a set of policies and standards, combined with tailored site-specific safety programs to ensure, and constantly improve, our health and safety performance.

[Employee benefits

Intercell makes a wide variety of benefits available to all eligible regular full-time and less-than-full-time employees. Plans and eligibility vary considerably by country, as Intercell's benefit plans are designed to build on the social security benefits provided in each country in which we operate.
Depending upon the terms of these benefit plans and the Company's policies, eligible employees may be required to provide payment or payment contribution to some of these benefits.

Typical benefits would include specific health plans/private medical care, group pension schemes/ retirement plans, Life and Accidental Death & Dismemberment (AD&D) insurance plans, stock options, Employee Assistance Programs, as well as other voluntary benefits. These benefits are locally managed and comply with local legal requirements in the countries where they are offered.

[Employment statistics

	*Vienna**		*Livingston*		*Gaithersburg*		*Total*	
Male	83	39.2%	42	45.7%	42	48.6%	177	43.1%
Female	129	60.8%	50	54.3%	55	51.4%	234	56.9%
Total	**212**	**100%**	**92**	**100%**	**107**	**100%**	**411**	**100%**
Average age	35.2	-	37.9	-	42.1	-	37.7	-
Training hours**	12	-	5	-	7.5	-		
Labor turnover	-	17.6%	-	20%	-	23%		
Sick days***	7.4	3%	4.1	2.37%	5.89	2.27%		

* including the team in Schlieren, Switzerland
** average per employee
*** sick days per employee

[Social Commitment at Intercell

At the end of 2009, Intercell initiated the plan to support a three-year social sponsorship project. Intercell believes that as an international corporation, the Company has the opportunity and responsibility to look beyond the daily business activities and evaluate how its capabilities and resources can contribute to support significant and lasting change. Intercell supports the non-profit organization EcoHimal (www.ecohimal.org) in its efforts to establish a healthcare system in Nepal. Nepal faces major healthcare problems especially in rural areas, where diarrheal diseases, HIV/Aids, Pneumonia and Japanese Encephalitis are among the major causes of illness and death. Furthermore, the program aims to raise awareness for healthcare among the people of Nepal in order to positively influence their health-seeking behavior.

Health and Village Development in Eastern Nepal – An Activity and Project Overview by EcoHimal

The first year of the health and village development program of EcoHimal and Intercell in Nepal has been very successful. The main focus of the program was on community building and we are proud to report that in the villages of Pawai and Bakachol, community development committees and women's groups were formed. In these groups, each household is represented by at least one person; as a result, monthly meetings with the support of EcoHimal staff are held to discuss the problems, solutions and strategies of village development. This process enables villagers to take an active and leading role within the program and to guarantee ownership.

The planning phase for the necessary drinking water systems and lavatories is already finalized – the construction work started at the end of November 2010. Training sessions were held to improve the capacity of local health workers and to raise the awareness of the villagers for health and hygiene matters.

To disseminate information on health and hygiene issues and to provide a platform to the villagers, the community radio program, in cooperation with Radio Solu FM, Radio Rupakot and ACORAB, broadcasts weekly programs.

Non-formal education classes for adults and early childhood classes for children under the age of five contribute to the enhancement of the educational level in Pawai and Bakachol.

Interview with Prof. Dr. Kurt Luger, CEO of EcoHimal

Intercell talks with Prof. Dr. Kurt Luger, CEO of EcoHimal, about his work and projects in Nepal and his personal experiences:

Professor Luger, you are the chairman of EcoHimal and have been working in Nepal for many years. Currently you are involved in a health project that is supported by Intercell within the framework of its CSR strategy. What is the situation so far?

LUGER A year has gone by and the experience we have made is very positive. Intercell, a company focused on health, is an excellent match for this project. At the same time, we can contribute our experience to the project because we have been working in Nepal and Tibet for the past 20 years. We organized numerous projects there and have built three small hospitals in remote Tibetan areas. We work in the most remote areas where there is practically no help, and that is where we develop solutions together with the inhabitants so we can offer them better living conditions.

What has the project achieved during its first year?

LUGER We have achieved quite a lot, mainly because we operated a basic–needs project in the neighboring region for six years prior to this project and were therefore well acquainted with the conditions. I cannot name

everything that we have achieved so far, but for example the planning for 24 water drinking systems has been completed and the entire sanitary construction for the region is already set. We want to install so-called EcoSan-lavatories, which are able to create natural fertilizer out of feces. This is a huge improvement if you consider that the current sanitary conditions nourish diseases. Not only will this end but we are also contributing to the improvement of agriculture and ecology. This is what we call the effective use of synergies. In a number of villages these kinds of lavatories have already been installed, two drinking water systems are in use, and numerous educational measures have also been started.

[*How does EcoHimal secure the sustainability of these projects?*

[LUGER For example, we have instructed the entire population of the region how to use the new lavatories and educated hundreds of participants in other courses on waste prevention and waste disposal (each household – one bamboo basket). We initiated a large-scale hygiene program with the schools and have completed the program with uterine prolapsed screening as well as numerous surgeries. The small hospital in Bakachol as well as the sub-health post in Pawai are currently under construction and we have reached a working agreement with the Shamans. Currently, a physician is only available at a hospital, which is only reachable after three days' of travelling. We hope to enhance integration of the regional population in the health program and, through the improved supply of sanitary infrastructure as well as trained personnel, we will succeed in controlling the most common diseases.

[*How much of your budget have you been able to implement this year?*

[LUGER In total we have planned and implemented approximately 300,000 Euros, i.e. one third of our entire budget, which consists of Austrian state funds and the contribution by Intercell.

[*What was your most emotional experience this year?*

[LUGER The way in which the local population got involved in our new ideas, how they took part, engaged in discussions and made co-decisions, thereby attempting to come to grips with their situation. They really have a tough time; they all have to work in the fields to ensure that a harvest is brought home – this being their only source of survival for the next year. There are practically only subsistence farmers in this region, with no other source of income in these households. While the people attend our courses and discuss new forms of farming or receive training, they cannot work in the field – after all, the work does not take care of itself. But somehow they compensate and are convinced that they should not pass up this opportunity! They are extremely dedicated, something I also experienced during the lectures that I have held for Intercell staff members: the interest is huge and we will put our heads together to come up with an idea on how we can effectively use the knowledge of those Intercell staff members who want to get directly involved with the project.

MANAGING OUR ENVIRONMENTAL FOOTPRINT

At Intercell we believe that economic success is linked to achieving ecological and social goals. This requires long-term thinking and decision-making. Lasting continuity in both thought and action is an important requirement in the complex and time-intensive process of developing vaccines.

Although our core business activities do not entail any fundamental encroachment upon natural resources, we believe in implementing measures for environmental protection in the areas of waste and energy management. By reducing our demand for natural resources and working to minimize all types of waste, we are contributing to a more sustainable future with the lowest possible environmental footprint. Therefore, we have set up goals to reduce our environmental footprint (use of waste, water and energy) and are constantly working towards reaching those goals.

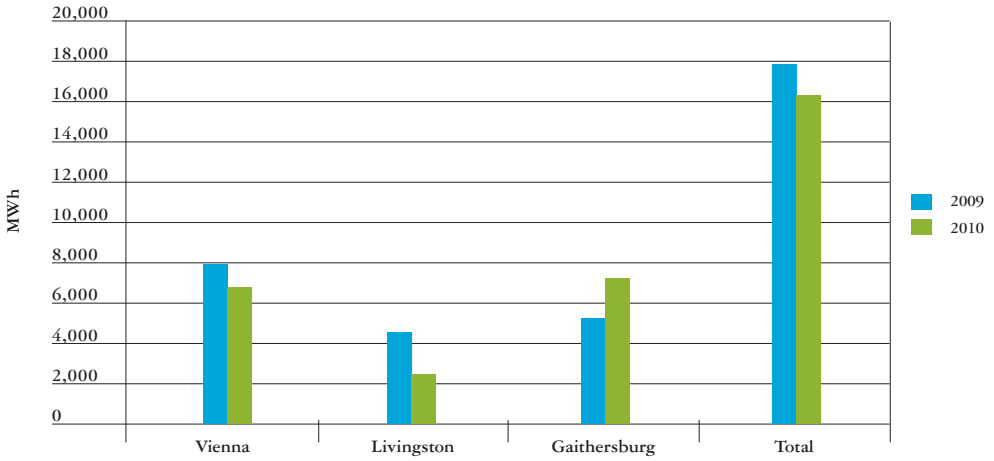
Energy

As reported in last year's Annual Report, Intercell's current strategy for minimizing its environmental footprint focuses on investigating energy consumption patterns and identifying main consumers in our Company.

In 2008, the headquarters of Intercell moved into its new and modern building in Vienna. One of the main targets during the construction period was to achieve higher structural thermal protection than required by the authorities. In addition to the thermal protection requirements, a free-cooling HVAC (Heating, Ventilating and Air Conditioning) system and an automated shading system, the building is equipped with a building control system in order to monitor and regulate various ways of energy optimization. However, a major goal of the Facility Management Team is the ongoing improvement and fine-tuning of this building control system.

An important first step was the installation of 13 sub-electric meter stations, which are operational since September 2010. With their help, we can break down and analyze the energy consumption of individual areas and determine and implement possible further energy optimization measures. Similar sub-meters were installed at our site in Livingston, Scotland.

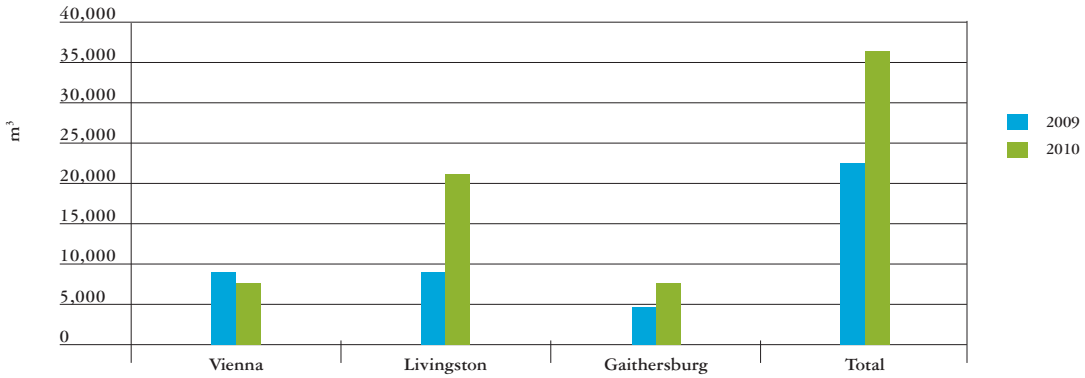
Intercell has initiated even more activities to cut overall energy consumption by 5 to 10% until 2012 compared to 2009. The following examples of environmentally friendly initiatives are small steps but still a contribution to a healthy environment. The Livingston site installed energy-efficient lighting across all areas, reconditioned and upgraded the air conditioning system, implemented more recycling stations, and reduced their gas usage through steam conversion.



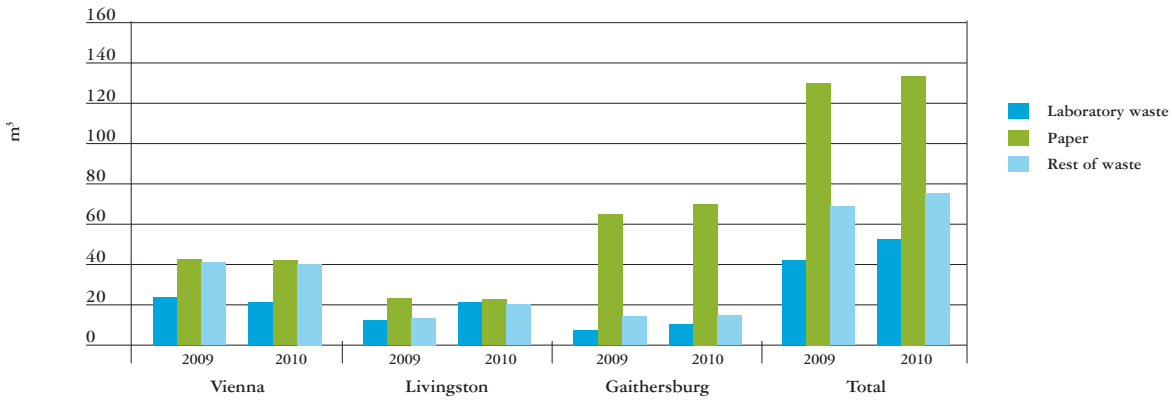
At all sites, energy-saving measures were successfully implemented.
Intercell does not consume any direct primary energy.

Water & Waste Management

Through an improved collection of environmental data in 2010 and forward, Intercell will create long-term goals for waste management and the reduction of water use. Comprehensive measurements across all sites will establish the baseline and will allow the fine-tuning of goals.
For Intercell, a responsible management of water is crucial as it is one of the most important global goods. Although our use of water in our R&D sites and manufacturing facilities is relatively small compared to other industries we pay attention to water consumption.



At our Vienna site, water-saving measures were successfully implemented. The increase in water consumption at our Gaithersburg and Livingston sites were due to the increase in capacity utilization following increased demand for our JE vaccine and the Gaithersburg facility which was put into operation.



Intercell's Enterprise Application Software Solution, which is used by all sites, enables a simplified management of business- and quality-relevant processes as well as a reduction of office materials such as paper, printer cartridges, etc.

Intercell USA participated in recycling programs and spent USD 25,000 on different environmental protection measures.

Within the GxP project 2010 (GxP is a general term for Good Practice quality guidelines and regulations), several environmental and security processes were defined and transformed into Standard Operating Procedures (SOPs). According to these SOPs, our employees receive special trainings, and all processes are monitored, collected, and analyzed.

Mobility

Intercell reduces its carbon and energy footprint through energy efficiency efforts and consolidation of certain operations. Video conference equipment is available at every site, and the use of this system and telephone conferences is encouraged in order to enable our employees to communicate face to face and reduce business trips between sites.

Intercell has no car pool, the use of parking facilities is not free, and the number of parking spaces was reduced to support the use of public transport. At the Vienna site, many employees come to work by public transport or by bicycle.

Furthermore, our Supply Chain Management team has successfully managed to reduce freight expenses despite growth in product sales of Intercell's Japanese Encephalitis vaccine. This could be achieved by shipment consolidation and redesigned shipping containers – now, more vaccines can be fitted on a pallet.

Revenues

Product sales of IXIARO® and JESPECT® increased significantly from EUR 7.7m in the year ended December 31, 2009 to EUR 12.8m in the year ended December 31, 2010, or by 66.2%, mainly due to intensified joint marketing and sales efforts of Intercell and its partner Novartis. Intercell's total annual revenues decreased by 44.5% from EUR 61.7m in the year ended December 31, 2009 to EUR 34.2m in the year ended December 31, 2010, mainly because revenues from collaborations and licensing decreased from EUR 46.2m in the year ended December 31, 2009 to EUR 18.1m in the year ended December 31, 2010, or by 60.8%. This decrease was principally due to the fact that in 2009 substantial upfront payments were received under a collaboration with GSK, whereas expected milestone payments in 2010 were not received due to the discontinuation of the TD vaccine program. The Company's revenues from collaborations, licensing, and grants generally depend on the achievement of milestones or on the effective date of new agreements, which results in significant fluctuations in these revenues from period to period. Grant income decreased from EUR 7.7m in the year ended December 31, 2009 to EUR 3.3m in the year ended December 31, 2010.

Results of Operations

2010 results were significantly impacted by one-time, mostly non-cash effects resulting from the discontinuation of the Company's Travelers' Diarrhea vaccine program. The net loss increased from EUR 18.4m in the year ended December 31, 2009 to EUR 255.2m in the year ended December 31, 2010. The increase in net loss was mainly due to impairments and restructuring costs in connection with the discontinuation of our TD vaccine program and higher research and development expenses. The Company recorded a loss before income tax of EUR 250.5m in the year ended December 31, 2010, compared to a loss before income tax of EUR 28.4m in 2009.

Cost of goods sold was EUR 15.4m in the year ended December 31, 2010, of which EUR 9.2m was directly attributable to vaccine sales and EUR 6.2m was due to write-offs of unfinished and finished products, compared to cost of goods sold of EUR 12.4m in the year ended December 31, 2009, of which EUR 5.8m was directly attributable to vaccine sales and EUR 6.7m was due to write-offs of unfinished and finished products.

Intercell's net operating loss increased from EUR 30.5m in 2009 to EUR 251.2m in the year ended December 31, 2010, mainly as a result of impairment and restructuring costs and lower collaboration and licensing revenues. Research and development expenses increased from EUR 62.5m in the year ended December 31, 2009 to EUR 74.7m in the year ended December 31, 2010, or by 19.5%. General, selling and administrative expenses were EUR 19.8m in the year ended December 31, 2010 and EUR 17.4m in the year ended December 31, 2009, which represents an increase of 13.9%.

Restructuring costs and impairments in connection with the discontinuation of our late-stage TD vaccine program amounted to EUR 182.8m in the year ended December 31, 2010 and included impairments of intangible and fixed assets as well as remnant clinical and regulatory costs of the program and restructur-

ing costs in connection with the termination of employment contracts to realign our organizational structures. Net other operating income was EUR 7.3m in the year ended December 31, 2010 and EUR 0.2m in the year ended December 31, 2009. This increase in net other operating income was primarily due to exchange rate fluctuations.

Finance Results and Tax

Financial income, net of expenses, was EUR 0.7m in the year ended December 31, 2010 and EUR 2.1m in the year ended December 31, 2009. This decrease was mainly due to lower interest rates and a lower balance of cash and securities, which was partly offset by lower finance expenses.

Income tax expenses were EUR 4.7m in the year ended December 31, 2010, compared to income tax income of EUR 10.0m in the year ended December 31, 2009. Income tax expense resulted from adjustments in deferred income tax assets.

Cash Flow and Capital Resources

Intercell's net cash used in operating activities of EUR 65.1m in the year ended December 31, 2010 compares to EUR 26.0m in the year ended December 31, 2009. This change was primarily due to lower revenues from collaborations and licensing and higher R&D expenses.

Net cash generated from investing activities for the year ended December 31, 2010 totaled EUR 10.6m, compared to EUR 47.6m in 2009. Without giving effect to investments in, and proceeds from sale of securities, net cash used in investing activities was EUR 26.5m in the year ended December 31, 2010, compared to EUR 16.9m in the year ended December 31, 2009. Cash used in investing activities in the year ended December 31, 2010 included a EUR 10.0m payment for the acquisition of Cytos' platform technology for monoclonal antibody discovery.

Net cash generated from financing activities was EUR 31.2m in the year ended December 31, 2009, and no net cash was generated from financing activities in the year ended December 31, 2010.

As of December 31, 2010, Intercell had liquid funds of EUR 86.2m, of which EUR 26.9m was cash and EUR 59.3m was available-for-sale financial assets.

Cash Management

Intercell is holding considerable levels of cash and cash equivalent funds, intended to be used to further develop the Company's product pipeline, technologies and manufacturing capabilities as well as for general business activities and potential strategic investments. In managing its cash and liquid funds, the Company's goal is to preserve the principal and to achieve an optimal and stable rate of return with a moderate level of risk. The Company mainly holds its cash and liquid reserves in bank deposits, government bonds and other investment grade debt securities and mutual money market funds.

Reporting on the internal control and risk management system regarding financial reporting

The responsibility for the setting up and configuration of an internal control and risk management system capable of meeting the needs of accounting rules and of assuring compliance with legal requirements rests with the Management Board under oversight by the Supervisory Board. Intercell's central Group accounting department forms part of the Group's parent company Intercell AG. The department consists of the organizational units "Accounting", which is responsible for reporting to outside parties, and "Controlling", which handles reporting within the Group. Both units report directly to the Chief Financial Officer.

The principles and the processes underlying Group accounting and reporting procedures are laid down in the Accounting Manual published and updated on a regular basis by Intercell AG. The manual contains the IFRS-based accounting and reporting requirements as applied by the Group. The requirements especially apply to the accounting of, and reporting on, revenues, R&D expenses, non-current assets, trade receivables, accruals and deferrals, financial instruments, provisions, and the translation of deferred tax assets and liabilities.

"Controlling" reviews the performance of defined groups of assets on a regular basis. The adherence to the respective requirements is assured through regular reviews carried out at management meetings and, whenever necessary, through securing the participation of the central department.

The recording and accounting of all Group transactions is handled by the integrative software solution Microsoft Dynamics AX. The Group companies perform monthly closing procedures on their accounts. All accounting entries are available in the central accounting system and the data transfers and consolidation occurs automatically. Central Group "Accounting" performs reviews and controls of the financial data generated by Group companies on a monthly basis. Additional closing procedures, controls, and reviews are performed on a quarterly basis. The resulting financial information forms the basis of the reports issued on a quarterly basis by the Intercell Group pursuant to IFRS.

No separate internal audit department has been set up in view of the Company's size. However, an internal control and reporting-system has been defined in order to secure appropriate internal controls over financial reposting and to enable the Management Board to rapidly identify risks and to respond to such risks. The compliance within the internal controlling and reporting system is reviewed and reported by an internal audit function on a quarterly basis.

A tailored planning and reporting system is used for internal management reporting. Standard reports and automatic interfaces have been created to transfer actual data from Microsoft Dynamics AX to the internal reporting system. A standardized process is employed to compile figures into reports, including budget comparisons. Reporting dimensions include departments, projects, and cost categories. Internal reports to

the management include the development of operating results during the preceding month as well as rolling forecasts for the residual year. These reports feature summaries of the most important results as well as deviation analyses compared to budgets and preceding forecasts.

The financial information that has been generated as described above and the Group accounts pursuant to IFRS form the basis for the Management Board's financial reporting to the Supervisory Board, which holds meetings on a regular basis. The Supervisory Board is informed about the financial performance of the business using consolidated results and, where appropriate, detailed project- and product-based financial information.

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 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. 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 or armed conflicts or recent crisis 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. Biological manufacturing is subject to government regulation and regular inspection. The failure of our product manufacturing facility to comply with regulatory requirements, including current Good Manufacturing Practices, 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 manufacturers' 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 to 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 research and development 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.

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 it further evolves as a company, Intercell may not successfully manage its growth. Any failure to appropriately monitor and manage its growth 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. In addition, 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. 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 profit and loss statement.

Recent turmoil in the credit markets 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 tax credits.

Further financial risk factors are discussed in detail in the notes to the consolidated financial statements (note 3).

- As of December 31, 2010, the Company's share capital consists of 48,592,219 shares of common stock with no par value in bearer form. Each share represents the same pro rata amount of the aggregate share capital.

- GlaxoSmithKline (GSK) has committed to retaining 900,000 shares held by GSK over a certain minimum lock-up period. The Management is not aware of any other agreements between shareholders that restrict the voting rights or the transferability of any of the issued shares.

- As of the balance sheet date, entities affiliated with Novartis AG, Switzerland, held 14.9% of the voting rights of the Company. The Management is not aware of any other shareholder whose shareholding represents 10% or more of the share capital of the Company.

- The Company has not issued any shares with special control rights as compared to all other outstanding shares, and there are no controls of voting rights for shares held by employees who do not exercise their voting rights directly.

- The Company's regulations in regard to the appointment and discharge of the members of the Management Board and the Supervisory Board, as well as regulations in regard to the change of the articles follow Austrian legal regulations.

- The Management Board is authorized to increase the registered capital of the Company, pursuant to Section 169 of the Austrian Stock Corporation Act, and with the consent of the Supervisory Board, in one or several tranches by issuing up to 1,774,456 new bearer shares of common stock until June 15, 2012, and by issuing another up to 15,000,000 new bearer shares of common stock until June 13, 2013. The Management Board is further authorized, pursuant to Section 159 Subsection 2 of the Stock Corporation Act, to issue convertible bonds by granting the creditors conversion and/or subscription rights for up to 15,000,000 new bearer shares of common stock, and to determine the further details of implementation with the consent of the Supervisory Board until June 15, 2012. The share capital is conditionally increased by up to 4,284,457 bearer shares insofar as the employees and members of the Management Board, who have been granted stock options, exercise their subscription rights.

- On June 25, 2010, the General Meeting of Shareholders authorized the Management Board to repurchase Intercell AG shares up to the maximum amount permissible pursuant to Section 65 (1) no 8 of the Austrian Stock Exchange Act for a period of 30 months following the date of the shareholder's resolution, with any such repurchase to be within the range of a minimum amount of EUR 12.00 per share and a maximum amount of EUR 60.00 per share. In the fiscal year 2010 the Management Board did not repurchase any shares under this authorization from the shareholders' meeting.

- The Company has certain material agreements, which provide the counterparty with certain rights in the event of the change of control of the Company, which could lead to a change or termination of the agreement. The Company believes disclosure of specific information about these agreements would be materially detrimental to the Company.

- The vesting of stock options, which have been issued under the Employee Stock Option Plan (ESOP) 2008, will be accelerated in case of a change of control and all such options will become immediately exercisable. The Company has entered into contractual agreements with Thomas Lingelbach and Mustapha Leavenworth Bakali entitling each to a one-time payment if he leaves the Company due to a change of control. Other than these provisions, no special compensation agreements exist between the Company and the members of its Management and Supervisory Board in case of change of control in the Company.

Based on our strategy to invest in innovation and optimize value for our shareholders focusing on research, development, manufacturing, and commercialization of new vaccines and monoclonal antibody products, we continue to pursue our goal of creating sustainable growth.

[Financial Strategy

Our financial strategy is designed to support our business model. This model focuses on creating a fully-integrated company by developing, manufacturing and commercializing novel prophylactic and therapeutic vaccines against infectious diseases, for which there is unmet medical need and by expanding the business in vaccines and related fields of infectious disease and immunology.

[Key elements of this strategy are as follows:

- Maximize the value from our first approved product, the JE vaccine
- Become a leader for vaccines against hospital-acquired infections
- Continue to develop clinical product candidates in multiple indications
- Fully leverage the potential of the AIP®, patch vaccine and adjuvant technologies
- Maximize the value generated from the strategic alliances
- Expand our business and enter related fields of infectious disease and immunology

SELECTED NEXT MILESTONES

Company

- Outlook 2011 – growing revenues from product sales – decreased and focused R&D spending with an expected net loss of EUR 30-40m

Japanese Encephalitis Vaccine

- Phase III data from children for travelers' market
- Start of Phase II/III for children in endemic countries
- First approval in endemic countries

Vaccines against hospital-acquired infections

- First Phase II/III efficacy data in S. aureus
- Pseudomonas evaluation with Novartis
- Pneumococcus – next development steps

Other vaccines

- Determination of next steps relating to pandemic Flu study combining Vaccine Enhancement Patch and GSK's H5N1 vaccine
- Multiple clinical data points within partnerships (e.g. Tuberculosis, Influenza)
- Start of clinical combination study for Hepatitis C vaccine

AIP®, IC31®, Vaccine Patch, Antibodies

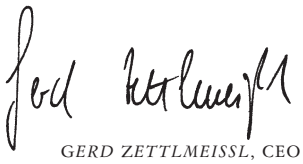
- Further out-licensing of Vaccine Patch (delivery and vaccine enhancement)
- Positioning of IC31® in new vaccine indications (including allergy and cancer vaccines)
- Antibody products – definition of lead candidates and specific out-licensing

// 02. // EVENTS AFTER THE BALANCE-SHEET DATE

On February 23, 2011 the Company announced the placement of EUR 33.0 million of Senior Unsecured Convertible Notes (the "Notes") in a private placement transaction. 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 through the final scheduled maturity of the Notes. The original investors in the Notes will have the right to purchase an additional EUR 33.0 million of Notes on essentially the same terms as the original issue for a period of 12 months following the closing and 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.

Vienna, March 11, 2011

The Management Board



GERD ZETTLMEISSL, CEO

THOMAS LINGELBACH, COO

MUSTAPHA LEAVENWORTH BAKALI, CBO

REINHARD KANDERA, CFO

The Consolidated Financial Statements of Intercell AG for the fiscal year from January 1, 2010 to December 31, 2010, the Management Report, and the Audit Opinion thereof have been issued in German language in accordance with Section 245a and 193 of the Austrian Commercial Code. We draw attention to the fact that this translation into English is provided for convenience purposes only and that the German wording is the only legally binding version.

CUTTING
DOWN EXPENSES ...
FACTS & FIGURES 2010

Fig . 4 — *HEALTHY GROWTH SOMETIMES REQUIRES CUT-BACKS*

Following an extraordinary share price performance since our IPO, this past year has been challenging and we have seen a decline in our shares. We want to buck this trend and have the strategic and operational plans in place. Our goal is to make focused incisions in the markets we are addressing and we are restructuring the organization to do this in the most capital efficient way.
These surgical implements can also be found in the Bourgery | Jacob Atlas of Anatomy, which dates to 1831-1854.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Intercell AG, Vienna, for the fiscal year from January 1, 2010 to December 31, 2010. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2010, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting and the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, its financial performance and cash flows in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements are in accordance with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2010 and of its financial performance and cash flows for the fiscal year from January 1, 2010 to December 31, 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

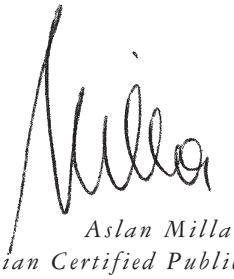
COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures in the management report for the Group do not give rise to a misstatement of the Group's financial position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, March 11, 2011

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft



Aslan Milla
Austrian Certified Public Accountant

Disclosure, publication and duplication of the consolidated financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

// I. // CONSOLIDATED INCOME STATEMENT

EUR in thousands (except per share amounts)	note	Year ended December 31, 2010	2009
Revenues		34,215	61,681
Product sales	5	12,795	7,727
Revenues from collaborations, licensing and grants	5	21,420	53,954
Cost of goods sold	6/7	(15,434)	(12,450)
Gross profit		18,781	49,231
Research and development expenses	6/7	(74,740)	(62,539)
General, selling and administrative expenses	6/7	(19,762)	(17,355)
Other income and expenses, net	8	7,305	195
Restructuring and impairment	9	(182,787)	-
Operating loss		(251,204)	(30,468)
Finance income	10	1,824	4,315
Finance expenses	10	(1,118)	(2,245)
Loss before income tax		(250,498)	(28,398)
Income tax	11	(4,684)	10,023
Loss for the year		(255,182)	(18,375)
Losses per share for loss attributable to the equity holders of the Company during the year (expressed in EUR per share) - basic and diluted	12	(5.29)	(0.39)

// I. // CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR in thousands	note	Year ended December 31, 2010	2009
Loss for the year		(255,182)	(18,375)
Other comprehensive income/(loss)			
Fair value gains/(losses) on available-for-sale financial assets	16/22	(241)	1,270
Currency translation differences	22	10,989	(3,452)
Other comprehensive income/(loss) for the year, net of tax		10,748	(2,183)
Total comprehensive loss for the year attributable to the owners of the Company		(244,434)	(20,557)

EUR in thousands	note	At December 31, 2010	2009
ASSETS			
Non-current assets		125,873	281,860
Property, plant and equipment	13	48,194	56,435
Intangible assets	14	61,491	189,656
Available-for-sale financial assets	16	4,237	3,784
Other non-current assets	18	11,478	10,622
Deferred income tax assets	11	473	21,363
Current assets		99,347	195,799
Inventory	17	6,423	3,441
Trade receivables and other current assets	18	10,979	16,123
Available-for-sale financial assets	16	55,024	92,024
Cash and short-term deposits	19	26,921	84,211
TOTAL ASSETS		225,220	477,659
EQUITY			
Capital and reserves attributable to the Company's equity holders		121,082	365,153
Nominal capital	20	48,592	48,480
Additional capital paid in	20	407,965	407,676
Other reserves	22	24,262	13,514
Retained earnings		(359,737)	(104,518)
LIABILITIES			
Non-current liabilities		54,731	79,609
Borrowings	26	37,461	38,867
Other long-term liabilities	24	312	382
Deferred income	25	16,549	30,092
Deferred income tax liabilities	11	410	10,268
Current liabilities		49,407	32,897
Trade and other payables and accruals	24	32,675	20,749
Borrowings	26	3,361	3,029
Deferred income	25	7,301	9,119
Provisions	27	6,071	-
TOTAL LIABILITIES		104,138	112,506
TOTAL EQUITY AND LIABILITIES		225,220	477,659

EUR in thousands	note	Year ended December 31, 2010	2009
Cash flows from operating activities			
Loss for the year		(255,182)	(18,375)
Depreciation and amortization	13/14	7,662	5,331
Impairment fixed assets/intangibles	13/14	176,664	-
Share-based compensation	21	3,519	4,160
Income Tax	11	4,684	(10,066)
Other adjustments for reconciliation to cash used in operations	28	(15,702)	(1,992)
Changes in working capital	28	13,820	(3,918)
Cash used in operations	28	(64,535)	(24,860)
Interest paid	10	(582)	(1,118)
Income tax paid	11	(4)	(16)
Net cash used in operating activities		(65,120)	(25,995)
Cash flows from investing activities			
Acquisition of other businesses	31	(10,000)	-
Purchases of property, plant and equipment	13/28	(3,888)	(11,089)
Proceeds from sale of property, plant and equipment	28	28	1,967
Cash outflow for security deposit in connection with finance lease		(858)	(355)
Purchases of intangible assets	14	(13,615)	(12,923)
Purchases of financial assets	16	(12,519)	(45,000)
Proceeds from sale of financial assets	16	49,616	109,500
Interest received		1,847	5,541
Net cash generated from investing activities		10,610	47,640
Cash flows from financing activities			
Proceeds from issuance of common stock, net of costs of equity transactions	20	795	31,273
Disposal of treasury shares	20	400	99
Proceeds from borrowings	26	689	1,819
Repayment of borrowings	26	(1,900)	(1,964)
Net cash generated from/(used in) financing activities		(16)	31,228
Net increase/(decrease) in cash		(54,525)	52,873
Cash at beginning of the year		84,211	29,896
Exchange gains/(losses) on cash		(2,782)	1,442
Cash at end of the year	19	26,904	84,211
Cash, short-term deposits, and marketable securities at end of year		86,182	180,019

EUR in thousands	note	Nominal capital	Additional capital paid in	Other reserves	Retained earnings	Total equity
Balance at January 1, 2009		47,235	373,423	15,696	(86,121)	350,233
Total comprehensive loss for the year		-	-	(2,183)	(18,375)	(20,557)
Employee share option plan:						
- value of employee services	20/21	-	4,160	-	-	4,160
- proceeds from shares issued	20	346	3,129	-	-	3,475
- treasury stock re-issued	20	-	99	-	-	99
Issuance of common stock, December 2009	20	900	27,189	-	-	28,089
Deferred tax on share option scheme		-	-	-	(22)	(22)
Cost of equity transactions, net of tax	20	-	(325)	-	-	(325)
		1,246	34,253	(2,183)	(18,397)	14,919
Balance at December 31, 2009		48,480	407,676	13,514	(104,518)	365,153
Balance at January 1, 2010		48,480	407,676	13,514	(104,518)	365,153
Total comprehensive loss for the year		-	-	10,748	(255,182)	(244,434)
Employee share option plan:						
- value of employee services	20/21	-	3,519	-	-	3,519
- proceeds from shares issued	20	112	818	-	-	930
- treasury stock re-issued	20	-	400	-	-	400
Deferred tax on share option scheme		-	-	-	(38)	(38)
Cost of equity transactions, net of tax	20	-	(4,448)	-	-	(4,448)
		112	289	10,748	(255,219)	(244,071)
Balance at December 31, 2010		48,592	407,965	24,262	(359,737)	121,082

1 GENERAL INFORMATION

Intercell AG – together with its subsidiaries – (hereafter named "Company") is a biotechnology company that develops novel vaccines for the prevention and treatment of infectious diseases with substantial unmet medical needs.

The Company's technology platform includes an antigen-discovery system and a human antiinfective monoclonal antibody discovery system, adjuvants and a novel patch-based delivery system (Vaccine Patch, Vaccine Enhancement Patch). Based on these technologies, Intercell has strategic partnerships with a number of global pharmaceutical companies, including Novartis, GlaxoSmithKline, Merck & Co., Inc., and sanofi-aventis.

Intercell's vaccine to prevent Japanese Encephalitis is the Company's first product on the market. The product has been approved in Europe, the USA, Australia, and Canada. Phase II/III studies in India for pediatric use in endemic countries are ongoing. The Company's pipeline of investigational products includes a Pseudomonas aeruginosa vaccine candidate (Phase II), a vaccine to prevent Pandemic Influenza combining a Vaccine Enhancement Patch with an injected vaccine (Phase I/II), a vaccine program against S. aureus, which is being developed with Merck & Co., Inc. (Phase II/III), a vaccine candidate against Pneumococcus (Phase I) as well as a combination treatment approach for Hepatitis C (Phase II). A vaccine candidate against infections with C. difficile has entered Phase I clinical trials in 2010. In addition, further products focused on infectious diseases are in pre-clinical development.

Related business activities include product research and development, regulatory and clinical activities, manufacturing of commercial product and advanced clinical product candidates, as well as administrative, corporate development, and marketing and sales activities.

Intercell AG is a stock corporation (Aktiengesellschaft) under Austrian law with its headquarters located in 1030 Vienna, Campus Vienna Biocenter 3. The Company has its primary listing on the Vienna Stock Exchange.

Intercell AG directly or indirectly holds interests in the following subsidiaries:

Name	*Country of incorporation*	*Interest held at December 31, 2010*	*2009*
Intercell Biomedical Ltd.	UK	100%	100%
Intercell USA, Inc. (formerly IOMAI Corporation)	USA	100%	100%

Intercell Biomedical Ltd., Livingston, United Kingdom, operates a dedicated biologics manufacturing facility used for production of the Company's Japanese Encephalitis vaccine. Intercell USA, Inc. is engaged in the discovery and development of novel vaccines and adjuvants, delivered via the patch-based, needle-free delivery system. In June 2010, Intercell AG established a branch in Schlieren, Switzerland, which is engaged in the identification of anti-infective antibodies to prevent and treat infectious diseases.

These consolidated financial statements have been authorized for issue by the Management Board on the day of signature. The individual financial statements of the parent company, which are part of the consolidated financial statements after reconciliation to the Company accounting standards, will be reviewed and adopted by the Supervisory Board. The Supervisory Board and – in the event of submission to the Annual General Meeting – the shareholders are allowed to make changes to the individual financial statements. This would affect the presentation of the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparing these consolidated financial statements are outlined below. These policies have been consistently applied to all the years presented.

2.1 Basis of presentation

These 2010 Consolidated Financial Statements have been prepared under Sec. 245a of the Austrian Code of Commerce (UGB) in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

These consolidated financial statements have been prepared using the historical cost convention, as modified by the fair value valuation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires the Company's management to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

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

2.2 Impact of new, revised or amended Standards and Interpretations

All new standards, amendments and interpretations that were applicable in 2010 did not have an impact or a material impact on the financial statements of the Company.

Some amendments of standards and interpretations as well as a new interpretation and a new standard were already published, but are either not yet endorsed by the European Union or are endorsed by the European Union but not yet applicable. These rules do not have a material impact on the financial statements or the impact can not be assessed yet, and are therefore not presented in detail.

2.3 Consolidation

Subsidiaries

Subsidiaries are those entities over which the Company has the power to govern financial and operating policies. Control usually exists in situations where the Company has more than 50% of the voting rights. Subsidiaries are fully consolidated as of the date on which control is transferred to the Company. They are derecognized as of the date that such control ceases to exist.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities, and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired the difference is recognized directly in the income statement.

Inter-company transactions, balances, and unrealized gains on transactions between group companies are eliminated.

2.4 Segment reporting

The Company operates in a single business segment. For further disclosure see note 5.

2.5 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros, which is the reporting Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are converted into the functional currency using exchange rates applicable on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the income statement.

Change in the fair value of monetary securities denominated in foreign currency and classified as "available-for-sale" is analyzed by considering translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are accounted for in profit or loss and other changes in the carrying amount are accounted for in other comprehensive income.

c) Subsidiaries

The results and financial position of all subsidiaries (none of which having the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

(i) Assets and liabilities presented for each balance sheet are converted according to the exchange rate valid on the balance sheet date;

(ii) Income and expenses for each income statement are converted at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are converted on the dates of the transactions); and

(iii) All resulting exchange differences are recognized as other comprehensive income.

Upon consolidation, exchange differences arising from the conversion of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments are taken into shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that had been recorded under equity are recognized in the income statement as part of the gain or loss on sale.

2.6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue and the costs incurred in the transaction can be reliably measured. Revenue comprises the fair value of the consideration received or receivable in the course of the Company's ordinary activities for product sales, the grant of licenses, license options, or commercialization rights, and for services performed in collaboration with, or on behalf of, licensees or partners, as well as grants from governmental and non-governmental organizations designated to remunerate approved scientific research activities. Revenue is shown net of value-added tax, rebates, and discounts, and after eliminating sales within the Company. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognized as follows:

a) Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon delivery of the goods. In cases where the goods are sold via a distributor and where the consideration consists of a fixed part and a variable part that is only payable upon the distributor's sale of the product to the ultimate purchaser, the fixed consideration is recognized when the Company has delivered products to the distributor, the distributor has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. The variable part of such consideration is recognized as soon as the distributor has sold the product to the market and all conditions for the Company to receive the variable consideration have been met.

b) *Revenues from collaborations and licensing*

The Company generates revenues from collaboration and license agreements for its product candidates and proprietary technologies. The terms of such agreements include license fees payable as initial fees, annual license maintenance fees, and fees to be paid upon achievement of milestones, as well as license option fees and fees for the performance of research services. In addition, the Company's collaboration and licensing arrangements generally provide for royalties payable on the licensee's future sales of products developed within the scope of the license agreement.

Under certain arrangements, the Company assumes multiple performance obligations, such as granting licenses and commercialization rights, supplying products or materials, and/or providing research services. If the fair value of the components of such an arrangement can be reliably determined, then revenue is recorded separately for each component. If it is not possible to determine the fair value of each element of an arrangement and no specific element is considerably more significant than any other element, then revenue is recognized on a straight-line basis over the life of the agreement.

The Company recognizes initial fees for the granting of licenses under non-cancelable contracts, which permit the licensee to freely exploit the licensed intellectual property rights when such rights are assigned and associated know-how is delivered. Additional non-refundable license fees to be paid upon the achievement of certain milestones are recognized as revenue when such a milestone has been achieved.

Under certain arrangements, the Company receives non-refundable up-front fees for granting license options, which allow the licensee to obtain, upon execution of the option, a license for specific intellectual property rights on pre-defined terms and conditions. Such option premiums are deferred and amortized over the option period and the arrangement is not considered to give rise to a financial asset or liability.

Fees received for the performance of research services are recognized as revenue when the service has been rendered and the collectability of the receivable is deemed probable. Up-front payments received for the future performance of research services are deferred and recognized when the research has been performed.

c) *Grant income*

Grants from governmental agencies and non-governmental organizations are recognized at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all conditions.

Grant monies received as reimbursement of approved research and development expenses are recognized as revenue when the respective expenses have been incurred and there is reasonable assurance that funds will be received. Advance payments received under such grants are deferred and recognized when these conditions have been met.

Government grant monies received to support the purchase of property plant, and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

d) *Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method.

2.7 *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

2.8 *Property, plant and equipment*

Property, plant and equipment mainly comprise a manufacturing facility and leasehold improvements in rented office and laboratory space. All property, plants and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and that the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment include machinery, for which validation is required to bring the asset to its working condition. The costs of such validation activities are capitalized together with the cost of the asset. Validation costs beyond the normal validation costs which are usually required to bring an asset to its working condition are expensed immediately. The usual validation costs are capitalized on the asset and depreciated over the remaining life of the asset or the shorter period till the next validation is usually required.

It may be required to perform regular major inspections for faults, regardless of whether parts of the item are replaced, to continue operating an item of property, plant and equipment. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. The cost is depreciated over the period till the next major inspection is required. Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognized.

Depreciation of assets is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

Buildings, leasehold improvements	10 - 40 years
Machinery, laboratory equipment	2 - 15 years
Furniture, fittings and office equipment	4 - 10 years
Hardware	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

2.9 *Intangible assets*

a) *Computer software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and implement the specific software. These costs are amortized over their estimated useful lives, generally three to five years.

Costs associated with developing or maintaining computer software programs are recognized as expenses when they have been incurred.

b) *In-process research and development projects*

Acquired in-process research and development projects are capitalized. Amortization of the intangible asset over its useful life starts when the product has been fully developed and is ready for use. These costs are amortized over their useful lives, generally up to 20 years. As long as the useful life is infinite, in-process research and development projects are tested annually for impairment and carried at cost less accumulated impairment losses.

c) Development costs

Research expenses are recognized as expenses when they have been incurred. Development expenses incurred on clinical projects (related to the design and testing of new or improved products) are recognized as intangible assets when the following criteria have been fulfilled:

(a) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
(b) Management intends to complete the intangible asset and to utilize or sell it;
(c) There is an ability to utilize or sell the intangible asset;
(d) It can be demonstrated how the intangible asset will generate probable future economic benefits;
(e) Adequate technical, financial, and/or other resources to complete the development and to utilize or sell the intangible asset are available; and
(f) The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as expense when they have been incurred. Development costs that have been previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life, generally 15 years.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill and capitalized in-process research and development projects not ready for use, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

The Company classifies its financial assets into the following categories: a) loans and receivables, and b) available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods, or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those with maturities beyond 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade receivables and other assets" in the balance sheet (note 2.13).

Loans and receivables are carried at amortized cost using the effective interest method.
Impairment testing of trade receivables is described in note 2.13.

b) *Available-for-sale financial assets*

Available-for-sale financial assets are those intended to be held for an indefinite period of time which may be sold in respect to needs for liquidity or changes in interest rates, exchange rates or equity prices. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the balance sheet date.

Purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs and available-for-sale financial assets are subsequently carried at fair value. Financial assets are derecognized when such a financial asset has been transferred or substantially all risks and rewards of ownership have been transferred, or when the rights to receive cash flows from the financial asset have expired.

Changes in the fair value of financial assets denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss. Changes in the fair value of monetary securities classified as available-for-sale are recognized in other comprehensive income.

When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as "realized fair value gains or losses". The fair value of shares in an investment fund is determined by the daily redemption price at which such shares can be sold, as quoted by the fund, based on the fund's net asset value.

Interest on available-for-sale financial assets calculated using the effective interest method is recognized in the income statement as part of financial income.

For each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity securities classified as available-for-sale, a decline in fair value below acquisition cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset that was previously recognized in profit or loss – is removed from other comprehensive income and recognized in the income statement. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

2.12 *Inventories*

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method, specifically the first-expiry first-out (FEFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 *Trade receivables and other assets*

Trade receivables and other assets are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and/or default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within 'General, selling and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognized in the income statement.

2.14 *Cash and short-term deposits*

Cash and short-term deposits include cash in hand, deposits held at call with banks, and time deposits.

2.15 *Nominal capital and additional capital paid in*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any, from the proceeds.

When the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly-attributable incremental costs (net of income taxes, if any) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or otherwise disposed of. In cases where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is included in equity attributable to the Company's equity holders.

2.16 *Trade payables*

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognized at fair value if determinable, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit/loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not be reversed within the foreseeable future.

2.19 Employee benefits

a) Share-based compensation

Equity-settled transactions

The Company operates an equity-settled, share-based compensation plan. The fair value of such share-based compensation is recognized as an expense for employee services received in exchange for the grant of the

options. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and makes a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to nominal capital (nominal value) and share premium (amount exceeding nominal value) when the options are exercised.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date, up to, and including, the settlement date, with changes in fair value recognized in employee benefits expense.

b) Bonus plans

The Company recognizes a liability and an expense for bonuses. The Company recognizes a liability when it has assumed a contractual obligation or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties concerning the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are not recognized for future operating losses.

Restructurings

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk, and price risk), credit risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial risk management is carried out by a central finance department under the close supervision of the Management Board. The central finance department identifies, evaluates, and manages financial risks. The Management Board submits regular reports on its risk management systems, including the management of financial risks, to the audit committee of the Supervisory Board.

a) Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar ("USD") and the British Pound ("GBP"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

The objective of the Company is to limit the potential negative impact of the foreign exchange rate changes.

The Company has adopted a hedging policy, but at December 31, 2010 it does not have any derivative hedging instrument for its currency exposure in place.

The Company has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk.

At December 31, 2010, if the USD had weakened by 10% against the Euro, with all other variables held constant, pre-tax loss for the year would have been higher by EUR 1,216 thousand (2009: EUR 735 thousand), mainly as a result of foreign exchange losses on the translation of USD-denominated

cash equivalents and trade receivables, partly offset by a positive effect from trade payables. Income was more sensitive to fluctuations in the Euro/USD exchange rate at the balance sheet date in 2010 than it was in 2009 because of the increased amount of USD-denominated cash equivalents.

At December 31, 2010, if the GBP had weakened by 10% against the Euro with all other variables held constant, pre-tax loss for the year would have been EUR 260 thousand higher (2009: EUR 69 thousand). Income was more sensitive to fluctuations in the Euro/GBP exchange rate at the balance sheet date in 2010 than it was in 2009 mainly because of the increased amount of GBP-denominated cash equivalents.

Price risk

The Company is exposed to debt securities price risk because of investments held by the Company and classified on the consolidated balance sheet as available-for-sale, which depends on factors like interest rate changes, credit spreads, market liquidity, and general economic conditions. The Company is not exposed to commodity price risk.

At December 31, 2010, the calculated impact on other comprehensive income of a 1% shift in prices of debt securities would be EUR 588 thousand (2009: EUR 953 thousand).

Cash flow and fair value interest rate risk

The Company is exposed to cash flow interest rate risk from its investments in interest-bearing non-derivative assets and borrowings subject to variable interest rates.

The Company's interest rate risk arises mainly from investments in debt securities, either directly or through mutual funds and finance leasing. Debt securities issued at variable rates expose the Company to cash flow interest rate risk. Debt securities issued at fixed rates expose the Company to fair value interest rate risk. The Company's policy is to maintain the major part of its investments in variable rate instruments and when investments in fixed interest rate instruments are made, to select instruments with a short duration. Borrowings issued at variable rates expose the Company to cash flow interest rate risk, which is offset by cash and financial assets held at variable rates. During 2010 and 2009, the Company's investments at variable rate as well as the borrowings at variable rate were denominated in Euros.

The Company analyses its interest rate exposure on a dynamic basis. Based on this analysis, the Company calculated the impact on profit and loss of a defined interest rate shift. The same interest rate shift was used for all currencies. The calculation only includes investments in available-for-sale securities and cash in banks that represent major interest-bearing positions. As of the balance sheet date, the calculated impact on income before tax of a 0.25% shift would be an increase or decrease of EUR 37 thousand (2009: EUR 269 thousand).

The Company has policies in place to limit the potential impact on income and operating cash flows arising from changes in interest rates. As of December 31, 2010, available-for-sale financial assets comprise

government bonds, floating rate notes, and mutual funds, which mainly invest in short-term deposits, short-term debt securities, asset-backed securities, and other money market instruments.

b) *Credit risk*

The Company is exposed to concentrations of credit risk. The Company holds bank accounts, cash balances, and securities at quality financial institutions with high credit ratings. To monitor the credit quality of its counterparts, the Company relies on credit ratings as published by specialized rating agencies such as Standard & Poor's, Moody's, and Fitch. The Company has policies that limit the amount of credit exposure to any single financial institution. The Company is also exposed to credit risk from its trade debtors, as its collaborations and licensing income arose from a small number of transactions. The Company has policies in place to enter into such transactions only with highly reputable, financially sound counterparts. If customers are independently rated, these ratings are used. Otherwise, in the case that there is no independent rating, risk management assesses the credit quality of the customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The credit quality of financial assets is described in note 15.3.

c) *Liquidity risk*

The Company's limited amount of financial liabilities only implies limited liquidity risk resulting from the maturity of such liabilities. However, substantial liquidity risk results from the fact that the Company's operating cash flow is subject to fluctuations during accounting periods because its stream of revenue mainly depends on a limited number of payment events resulting from collaboration and licensing arrangements, while product development activities lead to substantial ongoing expenditures. Prudent liquidity risk management therefore implies maintaining sufficient cash and marketable securities in order to satisfy ongoing operating requirements and the ability to close out market positions. Extraordinary conditions on the financial markets may, however, temporarily restrict the possibility to liquidate certain financial assets.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At December 31, 2009

EUR in thousands	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)[1]	1,674	1,186	1,312	1,829
Finance lease liabilities	1,355	3,348	2,775	32,121
Trade and other payables	19,939	382	-	-
	22,968	4,916	4,087	33,950

[1] *The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.*

At December 31, 2010 EUR in thousands	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)[1]	2,047	798	2,083	1,292
Finance lease liabilities	1,314	3,269	2,441	31,337
Trade and other payables	31,527	312	-	-
	34,887	4,378	4,524	32,629

[1] The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.

The fair values as well as the book values of the Company's borrowings are disclosed in note 26.

To manage liquidity risk, the Company holds sufficient cash balances and generally invests in securities that can be promptly converted into cash. In addition, the Company diversifies its investments in debt securities across different classes of issuers and debt instruments, such as government bonds, floating rate notes, and mutual money market funds.

3.2 *Accounting for derivative financial instruments and hedging activities*

At the balance sheet date, the Company has no derivative financial instruments and does not engage in any hedging activities.

3.3 *Capital risk management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide benefits for shareholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

Consistent with its stage of development as a biotech company without stable cash flows from product sales, the Company principally relies on equity financing.

3.4 *Fair value estimation*

The fair value of financial instruments traded on active markets (such as available-for-sale securities) is based on market prices or dealer quotes at the balance sheet date.

The fair value of financial instruments that are not traded on an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing upon each balance sheet date, such as estimated discounted cash flows and market prices or dealer quotes for similar instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the relatively short maturity of the respective instruments. The fair value of investment funds held as available-for-sale financial assets is based on current bid rates offered by the investment fund manager based on the current market price of the fund's assets on the balance sheet date. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Management makes estimates and assumptions concerning the future. Actual future results may, by definition, differ from accounting estimates resulting from such estimates and assumptions.

Available-for-sale financial assets

The Company holds securities as part of its short-term cash management strategy. Such securities are accounted for as available-for-sale financial instruments (according to IAS 39.9) and include government bonds, floating rate notes, and mutual funds.

At December 31, 2010 the total fair value of available-for-sale financial assets was EUR 59,261 thousand, of which EUR 4,237 thousand correspond to a euro-denominated fund with its principal investments in asset-backed securities. Fair value losses, currently recorded in other comprehensive income, attributable to this fund are EUR 3,067 thousand. The fund has been suspended from trading as a consequence of the financial crisis on the asset-backed securities markets. Management's best estimate of fair value as of balance sheet date is based on the indicative net asset value provided by the investment trust. No impairment charges on this fund have been included in the income statement. Should the Company decide to dispose of this fund at the current net asset value provided by the investment trust or should there be objective evidence for an impairment need that can be reliably estimated according to IAS 39.59 in the future, the incurred fair value losses on this fund will negatively impact the Company's income statement. In addition, further turmoil in the asset-backed securities markets may lead to further fair value losses of the fund.

Share-based payments

The fair value of share options granted to the Company's management and its employees is determined by using valuation techniques. As there had been no public market for the Company's equity securities until February 2005, Management's judgment as to the fair value was required and a number of estimates in applying such valuation techniques for the accounting periods before this date had to be made. Beginning from 2005, the Management's judgment in regard to the estimated volatility was required for valuation of

the Black Scholes Model. In the past, the historical volatilities have been used for the estimation of future volatilities. From 2008 on, due to the current fluctuations on the stock exchange, the Management used the best estimate on historical volatilities from prior years.

Impairment testing of acquired research and development projects

The Company acquired intangible assets (in-process research & development projects) on acquisitions of companies, which amounted to EUR 40,574 thousand at the balance sheet date.

Determining whether the carrying amounts of in-process research and development projects are impaired, requires an estimation of the net present value of the research and development projects to which these values have been allocated. The net present value calculation (risk-adjusted discounted cash flow method) requires the Management Board to estimate future cash flows expected to arise from the projects, suitable risk-adjustment parameters reflecting the probability of project success, and a suitable discount rate in order to calculate the present value.

4.2 Critical judgments in applying the entity's accounting policies

Revenue recognition

The Company principally generates revenues from collaboration and license agreements for its product candidates and proprietary technologies. Such agreements usually provide for multiple performance obligations and multiple fee components. Management's judgment is required to determine whether such different elements of an agreement are, from the partner's perspective, viewed as one transaction or as separately identifiable components, and, where revenue recognition criteria are applied separately to multiple components of an agreement, to determine the fair value of each component of an arrangement.

Deferred taxes

In December 2010, the late-stage Travelers' Diarrhea vaccine candidate failed to meet efficacy endpoints in Phase II and Phase III clinical studies and further development of this program has been stopped. Therefore, there is no sufficient evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized in the foreseeable future. Hence the deferred tax asset, which was recognized in prior periods, was derecognized accordingly.

Development costs

In 2009, the Company obtained marketing authorizations for its first product, a Japanese Encephalitis vaccine. Management's judgment is that with the approvals the ability to utilize the product is achieved and that the product will generate probable future economic benefits. Therefore, development costs for this product are capitalized and amortized over the useful life.

Validation costs on the Property, plant and equipment

The usual costs of validation required to bring assets to their working condition have to be capitalized on the property, plant and equipment and depreciated over the remaining life or the shorter period till the

next normal validation is required. Generally, it is required to manufacture three consistency batches for validation after material changes in the commercial facility or process changes have been implemented. Management believes, based on past experience in biologics manufacturing, that usually manufacturing of five to six batches is required to result in the necessary number of valid consistency validation batches. Therefore, manufacturing costs for a higher number of batches and failed validation batches are deemed as unusual validation costs. These unusual validation costs are expensed immediately.

5 SEGMENT INFORMATION

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.

5.1 Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the final location where our distribution partner sells the product or the customer/partner is located. Segment assets are based on the geographical location of the assets.

Revenues per geographical segment

	Year ended December 31,	
EUR in thousands	2010	2009
Austria	1,300	1,259
Europe – without Austria	24,086	43,595
North America	7,595	15,793
Other	1,234	1,034
Revenues	34,215	61,681

Non-current assets per geographical segment

	Year ended December 31,		As at January 1,
EUR in thousands	2010	2009	2009
Austria	91,890	67,455	59,476
Europe – without Austria	11,642	10,829	6,123
North America	6,153	167,807	168,189
Non-current assets	109,685	246,091	233,787

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

5.2 Information about major customers

Collaboration and licensing revenue from the two largest customers amounted to EUR 6,747 thousand (2009: EUR 5,000 thousand) and EUR 10,514 thousand (2009: EUR 25,200 thousand) respectively. Product sales to the largest distribution partner amounted to EUR 9,094 thousand (2009: EUR 5,088 thousand).

6 EXPENSES BY NATURE

Cost of goods sold, research and development expenses, general, selling, and administrative expenses, and restructuring and impairment include the following items by nature of cost:

	Year ended December 31,		
	2010		2009
EUR in thousands	*Thereof restructing and impairment*	Total	Total
Consulting & other purchased services	*3,468*	67,195	44,981
Employee benefit expense (note 7)	*2,656*	39,654	35,221
Depreciation, amortization and write-off	*176,664*	184,326	5,331
Building and energy costs	-	5,758	5,344
Raw materials and consumables used	-	5,052	4,375
Supply, office, and IT costs	-	1,842	2,005
Travel and transportation costs	-	1,830	1,986
Advertising costs	-	193	584
License fees and royalties	-	1,836	1,316
Other expenses	-	315	340
Less: amounts capitalized as development costs and inventory	-	(15,276)	(9,140)
Cost of goods sold, research and development expenses, general, selling, and administrative expenses, and restructuring and impairment	*182,787*	292,724	92,344

According to Sec. 245a of the Austrian Code of Commerce (UGB) in accordance with Sec. 266 Z11 of the Austrian Code of Commerce (UGB) the Company has to disclose the expenses for the statutory auditor. In 2010, these expenses amounted to EUR 237 thousand (2009: EUR 136 thousand) and the details of the expenses are as follows:

	Year ended December 31,	
EUR in thousands	2010	2009
Audit of consolidated and individual financial statements	75	75
Other assurance services	65	61
Other services	97	-
Expenses for auditors	237	136

7 EMPLOYEE BENEFIT EXPENSE

Employee benefit expenses include the following:

EUR in thousands	Year ended December 31, 2010	2009
Salaries	29,661	24,453
Social security contributions	4,959	5,240
Training and education	612	714
Share options granted to management and employees	3,519	4,160
Other employee benefits	903	654
Employee benefit expense	39,654	35,221

During the year 2010, an average of 400 white-collar workers and 8 blue-collar workers were employed (2009: 396 white-collar and 7 blue-collar workers).

8 OTHER INCOME/(EXPENSES), NET

Other income, net of other expenses, includes the following:

EUR in thousands	Year ended December 31, 2010	2009
Foreign exchange gain/(loss), net	4,079	(1,941)
Taxes, duties, fees, charges, other than income tax	(131)	(122)
R&D tax credit	3,295	2,050
Miscellaneous income/(expenses), net	63	208
Other income/(expenses), net	7,305	195

R&D tax credit is an Austrian tax premium of 8% on research and development expenses, which is credited to a company's tax account and may be paid out in cash.

9 RESTRUCTURING AND IMPAIRMENT

Restructuring and impairment includes the following:

EUR in thousands	Year ended December 31, 2010	2009
Impairment of intangibles and fixed assets	176,664	-
Employee termination costs	2,656	-
Other restructuring costs	3,468	-
Restructuring and impairment	182,787	-

In December 2010, the Company's late-stage Travelers' Diarrhea vaccine candidate failed to meet efficacy endpoints in Phase II and Phase III clinical studies and further development of this program has been stopped, the research and development projects were adjusted and a reorganization process was implemented. Therefore, the respective intangible assets were impaired as well as the fixed assets, which relate to the program have been also disposed or written off. The workforce has been reduced accordingly. In addition, further costs to finalize the ongoing clinical trials are included in restructuring costs. For more details see note 27.

10 FINANCE INCOME/(EXPENSES)

EUR in thousands	Year ended December 31, 2010	2009
Finance income		
- Interest income from bank deposits	365	269
- Interest income on available-for-sale financial assets	1,459	4,046
	1,824	4,315
Finance expense		
- Interest expense to banks and government agencies	(629)	(1,117)
- Realized losses from the sale of available-for-sale financial assets	(489)	(1,128)
	(1,118)	(2,245)
Net finance income	706	2,070

The Company benefits from government assistance through arranging borrowing facilities that would have otherwise not been available to the Company. This assistance includes guarantees for the amount outstanding.

11 INCOME TAX

11.1 Tax income

Income tax income is comprised of current and deferred tax.

EUR in thousands	Year ended December 31, 2010	2009
Current tax	(136)	(16)
Deferred tax	(4,549)	10,040
Income tax	(4,684)	10,023

The individual entities' reconciliations – prepared on the basis of the tax rates applicable in each country and while taking consolidation procedures into account – have been summarized in the reconciliation below. The estimated tax charge is reconciled to the effective tax charge disclosed.

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	Year ended December 31,	
EUR in thousands	2010	2009
Loss before tax	(250,498)	(28,398)
Tax calculated at domestic tax rates applicable to profits in the respective countries	89,688	10,481
Income not subject to tax	846	662
Expenses not deductible for tax purposes	(1,217)	(1,488)
Deferred tax asset not recognized and derecognition of tax losses previously recognized	(95,542)	(1,069)
Effect of change in applicable tax rate	(35)	-
Exchange differences	4	482
Income tax credit	1,709	973
Minimum corporate income tax	(136)	(4)
Withholding tax	-	(13)
Income tax	(4,684)	10,023
Effective tax rate	(2 %)	35%

The weighted average applicable tax rate was 36% (2009: 37%). The decrease is caused by a change in the profitability of the Company's subsidiaries in the respective countries.

11.2 *Deferred tax*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The offset amounts are as follows:

EUR in thousands	Year ended December 31, 2010	2009
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	4,858	81,602
- Deferred tax asset to be recovered within 12 months	6,618	1,609
	11,475	83,211
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	(11,364)	(72,092)
- Deferred tax liability to be recovered within 12 months	(49)	(24)
	(11,413)	(72,116)
Deferred tax, net	62	11,095

The gross movement on the deferred income tax account is as follows:

EUR in thousands	2010	2009
Beginning of year	11,095	1,219
Exchange differences	(968)	176
Income statement charge	(4,549)	10,040
Tax charged directly to equity	(5,516)	(340)
End of year	62	11,095

The deferred tax assets and liabilities are allocable to the various balance sheet items as follows:

EUR in thousands	At December 31, 2010	2009
Deferred tax asset from		
Tax losses carried forward	99,445	76,910
Stock compensation	-	128
Fixed assets	4,408	1,039
Other items	9,244	5,134
Non-recognition of deferred tax assets	(101,623)	-
Total deferred tax assets	11,475	83,211
Deferred tax liability from		
Available for sale financial assets	(49)	(17)
Accelerated tax depreciation	(5,210)	(2,756)
Intangible assets	(5,858)	(69,336)
Other items	(297)	(6)
Total deferred tax liability	(11,413)	(72,116)
Deferred tax, net	62	11,095

The income tax rate in the United Kingdom has been reduced from 28% to 27% for fiscal years from 2011 onwards. The deferred tax assets and liabilities presented above as at December 31, 2009 have been adjusted for this change in tax rates.

The tax losses of EUR 319,394 thousand (2009: EUR 9,439 thousand) that were carried forward are not recognized as it is not considered probable that future taxable profits will be available against the unused tax losses.

The resulting deferred tax assets were only recognized for entities where sufficient evidence has been provided that sufficient taxable profit will be available against which the unused tax losses can be utilized in the foreseeable future.

Operating loss carry forwards of approximately EUR 124,393 thousand (2009: EUR 120,340 thousand) and the research and development credits of EUR 5,482 thousand (2009: EUR 3,634 thousand) will begin to expire in the year 2023 if unused.

12 EARNINGS/LOSSES PER SHARE

12.1 Basic

Basic earnings/losses per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of outstanding shares during the year, excluding shares purchased by the Company and held as treasury shares (note 20).

	Year ended December 31, 2010	2009
Net loss attributable to equity holders of the Company (EUR in thousands)	(255,182)	(18,375)
Weighted average number of outstanding shares	48,198,754	47,056,606
Basic earnings/(losses) per share (EUR per share)	(5.29)	(0.39)

12.2 Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary outstanding shares to assume conversion of all dilutive potential ordinary shares. The Company has share options as dilutive potential ordinary shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

In 2009 and 2010, diluted losses per share equal basic losses per share as the conversion of all potentially dilutive shares (outstanding share options, note 21) would result in a decrease in the loss per share and is therefore not to be treated as dilutive.

13 PROPERTY, PLANT AND EQUIPMENT

EUR in thousands	Buildings and leasehold improvements	Manufacturing and laboratory equipment	Computer hardware	Furniture, fittings and other	Assets in the course of construction	Total
January 1, 2009						
Cost	44,475	15,077	1,781	1,712	2,344	65,390
Accumulated depreciation	(5,492)	(7,266)	(1,128)	(670)	-	(14,556)
Net book value	38,983	7,812	653	1,043	2,344	50,834
Year ended December 31, 2009						
Opening net book value	38,983	7,812	653	1,043	2,344	50,834
Exchange rate differences	264	11	-	(7)	22	290
Additions	3,280	1,480	278	167	5,520	10,725
Reclassification	1,209	1,109	-	48	(2,366)	-
Disposals	(343)	(389)	(9)	(101)	-	(842)
Depreciation charge	(1,702)	(2,323)	(369)	(177)	-	(4,571)
Closing net book value	41,691	7,699	553	972	5,520	56,435
December 31, 2009						
Cost	47,044	15,716	1,962	1,557	5,520	71,800
Accumulated depreciation	(5,353)	(8,017)	(1,409)	(586)	-	(15,365)
Net book value	41,691	7,699	553	972	5,520	56,435

EUR in thousands	Buildings and leasehold improvements	Manufacturing and laboratory equipment	Computer hardware	Furniture, fittings and other	Assets in the course of construction	Total
Year ended December 31, 2010						
Opening net book value	41,691	7,699	553	972	5,520	56,435
Exchange rate differences	288	247	14	17	431	998
Business combination (note 31)	-	91	-	-	-	91
Additions	1,275	2,030	282	252	-	3,839
Reclassification	4,079	1,872	-	-	(5,951)	-
Disposals	(504)	(125)	(6)	(46)	-	(681)
thereof restructuring and impairment	*(504)*	*(89)*	*(5)*	-	-	*(598)*
Depreciation charge	(2,688)	(2,615)	(331)	(199)	-	(5,833)
Impairment charge	(3,030)	(3,441)	(50)	(134)	-	(6,654)
thereof restructuring and impairment	*(3,030)*	*(3,441)*	*(50)*	*(134)*	-	*(6,654)*
Closing net book value	41,111	5,758	463	862	-	48,194
December 31, 2010						
Cost	51,904	20,038	1,829	1,726	-	75,497
Accumulated depreciation and impairment	(10,793)	(14,279)	(1,367)	(864)	-	(27,303)
Net book value	41,111	5,758	463	862	-	48,194

Depreciation and amortization expenses of EUR 4,146 thousand (2009: EUR 2,715 thousand) were charged to research and development expenses and EUR 95 thousand (2009: EUR 180 thousand) to general, selling, and administrative expenses.

Operating property leases amounting to EUR 1,865 thousand (2009: EUR 1,690 thousand) are included in the income statement.

Property, plant and equipment contain the following amounts where the Company is a lessee under a finance lease agreement for the head office and research laboratory building in Vienna, including a waiver of termination right for 15 years as well as a purchase option:

EUR in thousands	Buildings and leasehold improvements	Manufacturing and laboratory equipment	Computer hardware	Furniture, fittings and other	Assets in the course of construction	Total
December 31, 2009						
Cost	34,795	2,128	126	604	-	37,653
Accumulated depreciation	(995)	(345)	(33)	(82)	-	(1,456)
Net book value	33,800	1,782	92	522	-	36,197
December 31, 2010						
Cost	34,795	2,128	126	598	-	37,647
Accumulated depreciation	(1,815)	(660)	(62)	(153)	-	(2,690)
Net book value	32,979	1,468	64	445	-	34,957

14 INTANGIBLE ASSETS

EUR in thousands	Software	In-process R&D	Development costs	Advance payments	Total
January 1, 2009					
Cost	1,085	182,465	-	-	183,552
Accumulated amortization	(598)	-	-	-	(598)
Net book value	487	182,465	-	-	182,953
Year ended December 31, 2009					
Opening net book value	487	182,465	-	-	182,953
Exchange rate differences	(4)	(5,551)	-	-	(5,555)
Additions	531	3,844	8,512	76	12,963
Disposals	-	-	-	-	-
Amortization charge	(329)	(145)	(229)	-	(703)
Closing net book value	686	180,612	8,282	76	189,656

EUR in thousands	Software	In-process R&D	Develop-ment costs	Advance payments	Total
December 31, 2009					
Cost	1,542	180,758	8,512	76	190,887
Accumulated amortization	(856)	(145)	(229)	-	(1,231)
Net book value	686	180,612	8,282	76	189,656
Year ended December 31, 2010					
Opening net book value	686	180,612	8,282	76	189,656
Exchange rate differences	14	12,377	67	-	12,457
Business combination (note 31)	-	14,983	-	-	14,983
Additions	589	565	12,578	8	13,741
Reclassification	76	-	-	(76)	-
Disposals	(147)	-	-	-	(147)
thereof restructuring and impairment	*(147)*	-	-	-	*(147)*
Amortization charge	(369)	(575)	(868)	-	(1,812)
Impairment charge	-	(167,387)	-	-	(167,387)
thereof restructuring and impairment	-	*(167,387)*	-	-	*(167,387)*
Closing net book value	849	40,574	20,060	8	61,491
December 31, 2010					
Cost	2,021	60,696	21,160	8	83,885
Accumulated amortization and impairment	(1,172)	(20,122)	(1,100)	-	(22,394)
Net book value	849	40,574	20,060	8	61,491

14.1 *Impairment testing of in-process research & development projects*

The book values of in-process research and development projects capitalized have been assessed annually for impairment testing purposes using the risk-adjusted discounted cash flow method.

The value-in-use calculations use post tax project cash flow projections based on the Company's long range business model including the Management's best estimate on probability of success of the respective projects (risk-adjustment) and a discount rate of 11.44% per annum (2009: 12% per annum).

The long range business model covers a period of 20 years and therefore accounts for all project related cash flows from the development stage over the market entry until the market phase-out (project life cycle) of the relevant projects.

The discount rate of 11.44% per annum (2009: 12% per annum) is based on 3.10% (2009: 4.36%) risk-free rate, 5% (2009: 5%) market risk premium, a beta of 0.92 (2009: 0.79) and 3.74% (2009: 3.70%) size premium.

The impairment of in-process research and development projects amounted to EUR 169,185 thousands (2009: EUR 0 thousand).

14.2 Sensitivity to changes in assumptions

The net present value calculations are most sensitive to the following assumptions:

- Probability of project success
- Discount rate

The result of research and development projects is inherently uncertain and the Company may experience delays or failures in clinical trials. A failure to demonstrate safety and efficacy in clinical product development of one of the acquired research and development projects would result in an impairment loss.

The net present value calculation uses a discount rate of 11.44% per annum (2009: 12% per annum). An increase in the discount rate of one percentage point would result in no impairment loss (2009: EUR 16.0m).

15 FINANCIAL INSTRUMENTS

15.1 Financial instruments by category

December 31, 2009 EUR in thousands	Loans and receivables	Available for sale	Total
Assets as per balance sheet			
Available-for-sale financial assets	-	95,808	95,808
Trade and other receivables[1]	18,274	-	18,274
Cash and short-term deposits	84,211	-	84,211
Assets	102,485	95,808	198,293

[1] *Prepayments and tax receivables are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.*

	Other financial liabilities	Total
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)[1]	5,642	5,642
Finance lease liabilities[1]	36,254	36,254
Trade and other payables[2]	20,322	20,322
Liabilities	62,217	62,217

December 31, 2010 EUR in thousands	Loans and receivables	Available for sale	Total
Assets as per balance sheet			
Available-for-sale financial assets	-	59,261	59,261
Trade and other receivables[3]	15,550	-	15,550
Cash and short-term deposits	26,921	-	26,921
Assets	42,471	59,261	101,732

	Other financial liabilities	Total
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)[1]	5,921	5,921
Finance lease liabilities[1]	34,900	34,900
Trade and other payables[2]	31,838	31,838
Liabilities	72,659	72,659

[1] The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.
[2] Social security and other tax payables are excluded from the trade and other payables balance, as this analysis is required only for financial instruments.
[3] Prepayments and tax receivables are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.

15.2 Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2009 EUR in thousands	Level 1	Level 3	Total
Available-for-sale financial assets			
Government bonds	20,309	-	20,309
Bank notes	39,927	-	39,927
Mutual funds	31,788	-	31,788
Asset-backed securities	-	3,784	3,784
Available-for-sale financial assets	92,024	3,784	95,808

December 31, 2010 EUR in thousands	Level 1	Level 3	Total
Available-for-sale financial assets			
Government bonds	19,959	-	19,959
Bank notes	20,028	-	20,028
Mutual funds	15,038	-	15,038
Asset-backed securities	-	4,237	4,237
Available-for-sale financial assets	55,024	4,237	59,261

There were no available-for-sale financial assets in Level 2. There were no transfers between Level 1, Level 2 and Level 3 in the respective period.

Reconciliation of Level 3 fair value measurements of financial assets:

EUR in thousands	Asset-backed securities	Total
Balance at January 1, 2009	4,618	4,618
Gains in other comprehensive income	502	502
Losses from sales	(1,336)	(1,336)
Balance at December 31, 2009	3,784	3,784

EUR in thousands	Asset-backed securities	Total
Balance at January 1, 2010	3,784	3,784
Gains in other comprehensive income	941	941
Losses from sales	(488)	(488)
Balance at December 31, 2010	4,237	4,237

The table above only includes financial assets.

[*Significant assumptions used in determining fair value of financial assets and liabilities*

Asset-backed securities: The financial statements include securities backed by underlying pools of auto-related loans which are measured at fair value. The fair value of the asset-backed securities is determined using valuation techniques based on the calculation of the present value of expected future cash flows of the assets. Inputs to these valuation techniques include some assumptions relating to both these securities and the underlying loans to which they are collateralized that are not supportable by observable market prices or rates (e.g. prepayment speeds and default rates of the underlying loans and loss severity based on collateral type). Due to our opinion no reasonable alternative assumptions were derivable, thus the sensitivity of fair values was not calculated.

No changes in the valuation techniques have been made in the period.

15.3 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates as follows:

	At December 31,	
EUR in thousands	2010	2009
Trade receivables and other financial assets[1]		
Receivables from governmental institutions	1,587	4,601
AA	13,837	13,429
Counterparties without external credit rating	125	243
Trade receivables and other financial assets[1]	15,550	18,274
Cash at bank and short-term bank deposits		
AA	-	1,189
A	26,911	83,012
Counterparties without external credit rating or rating below A	10	9
Cash at bank and short-term bank deposits	26,921	84,211
Available-for-sale debt securities		
AAA	26,261	44,539
AA	4,888	3,179
A	22,865	44,874
Counterparties without external credit rating or rating below A	5,247	3,216
Available-for-sale debt securities	59,261	95,808

[1] *Prepayments and tax receivables are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.*

The rating information refers to long-term credit rating as published by Standard & Poor's.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At December 31,	
EUR in thousands	2010	2009
Non-current	4,237	3,784
Current	55,024	92,024
Available-for-sale financial assets	59,261	95,808

The following table shows the development of the book value of the Company's available-for-sale financial assets:

EUR in thousands	2010	2009
Beginning of the year	95,808	160,969
Additions	-	45,000
Disposals	(37,336)	(110,628)
Changes in accrued interest	(23)	(1,226)
Net gains transfer to other comprehensive income	812	1,693
End of the year	59,261	95,808

Available-for-sale financial assets include government bonds, floating rate notes, money market investment funds, and asset-backed security funds. One of the funds held by the Company, with its principal investments in Euro-denominated asset-backed securities and recorded at a value at balance sheet date of EUR 4,237 thousand (2009: EUR 3,784 thousand), has been suspended from trading as a consequence of the liquidity crisis on the asset-backed securities markets. Management's best estimate of fair value as of balance sheet date is based on the net asset value provided by the investment trust. It has been announced by the fund's manager that trading of the fund will resume in March 2011.

The amount of fair value revaluation surplus/(loss) that had originally been booked to other comprehensive income and was subsequently recognized in profit or loss on sale of available-for-sale financial assets for the year 2010 was EUR 143 thousand loss (2009: EUR 391 thousand gain).

Available-for-sale financial assets are denominated in EUR. The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as available-for-sale. None of the financial assets is either past due or impaired.

[17 INVENTORY

	At December 31,	
EUR in thousands	2010	2009
Raw materials	490	346
Work in progress	5,674	2,599
Finished goods	259	496
Inventory	6,423	3,441

The cost of inventories recognized as an expense and included in "cost of sales" amounted to EUR 13,335 thousand (2009: EUR 11,430 thousand). The cost of inventories recognized as an expense includes EUR 6,194 thousand (2009: EUR 6,665 thousand) in respect of write-downs of inventory to net realizable value.

18 TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables and other assets include the following:

	At December 31,	
EUR in thousands	2010	2009
Trade receivables	4,253	7,835
Less: provision for impairment of receivables	-	-
Trade receivables, net	4,253	7,835
Prepaid expenses	1,225	1,879
Other receivables	16,979	17,031
	22,457	26,745
Less non-current portion	(11,478)	(10,622)
Current portion	10,979	16,123

The fair values of trade and other receivables equal their book values.

19 CASH AND SHORT-TERM DEPOSITS

	At December 31,	
EUR in thousands	2010	2009
Cash and cash equivalents	26,904	84,211
Short-term bank deposits with a maturity between 3 and 12 months	17	-
Cash and short-term deposits	26,921	84,211

Cash and cash equivalents include cash-at-bank and in-hand, as well as short-term bank deposits with a maturity of less than 3 months.

20 NOMINAL CAPITAL AND ADDITIONAL CAPITAL PAID IN

Balance sheet item	Shares issued				Treasury shares		Total nominal capital and additional capital paid in
	Nominal capital		Additional capital paid in				
EUR in thousands (except numbers of shares)	*Number of shares*	Nominal capital	Share premium	Capital from ESOP*	*Number of shares*	Book value	
Balance at January 1, 2009	*47,234,603*	47,235	358,428	15,344	*360,889*	(349)	420,658
Employee share option plan:							
- value of employee services	-	-	-	4,160	-	-	4,160
- proceeds from shares issued	*345,883*	346	3,129	-	-	-	3,475
- re-issuance of treasury stock	-	-	87	-	*(12,500)*	12	99
Issuance of common stock, December 2009	*900,000*	900	27,189	-	-	-	28,089
Cost of equity transactions, net of tax	-	-	(325)	-	-	-	(325)
Balance at December 31, 2009	*48,480,486*	48,480	388,509	19,504	*348,389*	(337)	456,157
Balance at January 1, 2010	*48,480,486*	48,480	388,509	19,504	*348,389*	(337)	456,157
Employee share option plan:							
- value of employee services	-	-	-	3,519	-	-	3,519
- proceeds from shares issued	*111,733*	112	818	-	-	-	930
- re-issuance of treasury stock	-	-	354	-	*(46,641)*	45	400
Cost of equity transactions	-	-	(24)	-	-	-	(24)
Reversal of tax on cost of equity transactions	-	-	(4,424)	-	-	-	(4,424)
Balance at December 31, 2010	*48,592,219*	48,592	385,234	23,023	*301,748*	(292)	456,557

**Employee share option plan*

At December 31, 2010, the Company had issued 48,592,219 common shares, which were fully paid in. The shares issued have no par value. Each share of the Company has one equal vote and equal dividend rights. The Company's total number of outstanding shares as of December 31, 2010 - excluding 301,748 shares held as treasury stock - was 48,290,471.

Since February 28, 2005, the Company's shares are listed on the Official Market (Amtlicher Handel) and traded in the Prime Market Segment of the Vienna Stock Exchange.

Conditional and authorized capital

The Company has 4,284,457 shares of conditional capital to service the exercise of existing stock options (note 21).

In addition, the Management Board is authorized, subject to approval by the Supervisory Board, to increase the registered share capital of the Company by issuing up to 16,774,456 new shares of common stock. The Management Board is further authorized, subject to the approval of the Supervisory Board, to use 15,000,000 shares of conditional capital for the future issuance of convertible bonds and to determine the terms of such bond issuance. This authorization has been used after the balance sheet date in February 2011 (see Note 33).

Increases of share capital

In July 2010, the Company issued 111,733 new shares and re-issued 32,500 existing shares of treasury stock in connection with the exercise of stock options, resulting in net proceeds of EUR 1,221 thousand (see note 21).

Treasury stock

In previous accounting periods, the Company had acquired a certain number of its own shares. The amount paid to acquire these shares was recorded at cost and deducted from equity. The corresponding amount deducted from equity was EUR 292 thousand in the aggregate as of December 31, 2010 and EUR 337 thousand as of December 31, 2009.

In December 2010, the Company re-issued 14,141 existing shares of treasury stock in connection with the exercise of stock options, resulting in net proceeds of EUR 109 thousand (see note 21).

In 2010 and 2009, the Company sold 46,641 and 12,500 of its treasury shares, respectively, to employees and to members of the Supervisory Board upon the exercise of share options.

21 SHARE OPTIONS

Share options are granted to members of the Management Board, the Supervisory Board, and to employees (Employee Stock Option Plan – ESOP). In general, options are exercisable for the first time in four equal portions after the Annual General Shareholders' Meeting in the second, third, fourth and fifth year after being granted (the vesting period). Special option packages are offered to members of the Management Board and to key employees upon being hired or as a special incentive and vest after three years. Options granted from 2006 onwards only become exercisable if the share price on the exercise date exceeds the exercise price by at least 15%. All options expire no later than five years after being granted. Options are not transferable or negotiable and unvested options lapse without compensation upon termination of employment with the Company (cancellation). Options granted from 2008 onwards become exercisable with the effectiveness of the takeover of more than 50% of the outstanding voting rights of the Company.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2010		2009	
	Number of options	Average exercise price in EUR per share	Number of options	Average exercise price in EUR per share
Outstanding at January 1	3,410,128	22.86	3,221,163	20.00
Granted	1,011,100	12.17	890,400	26.60
Forfeited	(449,879)	21.61	(343,052)	19.21
Exercised	(158,374)	8.40	(358,383)	9.97
Outstanding at year end	3,812,975	20.77	3,410,128	22.86
Exercisable at year end	1,014,931	22.16	503,511	17.07

Options exercised in 2010 resulted in 111,733 shares being issued (2009: 345,883 shares) at a price of between EUR 3.99 (2009: EUR 2.10) and EUR 11.43 (2009: EUR 23.91) per share. In addition, 46,641 (2009: 12,500) shares of treasury stock (recorded at an average historical price of EUR 0.97 per share) were sold at between EUR 3.99 (2009: EUR 2.10) and EUR 10.72 (2009: EUR 10.72) per share in 2010 for servicing the exercise of stock options. The weighted average value per share at the time of option exercise was EUR 14.22 in 2010 (2009: EUR 24.92).

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Expiry date	Exercise price in EUR per share	Number of options at December 31, 2010	2009
Dec 2010	5.50 - 8.50	-	227,750
Dec 2011	10.72 - 16.85	434,625	456,375
Dec 2012	23.95 - 26.18	631,100	680,900
Dec 2013	3.99 - 11.43	43,514	66,313
Dec 2013	20.63 - 31.35	908,036	1,088,390
Dec 2014	21.16 – 26.99	784,600	890,400
Dec 2015	11.80 – 17.96	1,011,100	-
		3,812,975	3,410,128

The weighted average grant-date fair value of options granted during the year 2010 was EUR 2.35 (2009: EUR 5.06). The fair value of the granted options was determined using the Black Scholes valuation model. The significant inputs into the models were:

	2010	2009
Expected volatility (%)	28.00	26.00 – 28.00
Expected vesting period (term in years)	2.00 – 5.00	2.00 – 5.00
Risk-free interest rate (%)	0.54 – 1.77	0.81 – 2.35

In 2010, 1,011,100 share options were granted to members of the Management Board, Supervisory Board, and employees at an exercise price of EUR 17.96 and EUR 11.80 per share (expiry date: December 2015).

22 OTHER RESERVES

EUR in thousands	Available-for-sale investments	Currency translation	Revaluation from business combinations	Total
Balance at January 1, 2009	(4,429)	14,151	5,974	15,696
Fair value gains on available-for-sale financial assets, net of tax	1,270	-	-	1,270
Currency translation differences	-	(3,452)	-	(3,452)
Balance at December 31, 2009	(3,159)	10,699	5,974	13,514
Balance at January 1, 2010	(3,159)	10,699	5,974	13,514
Fair value gains on available-for-sale financial assets	812	-	-	812
Reversal of tax on fair value gains/(losses) on available-for-sale financial assets	(1,053)	-	-	(1,053)
Currency translation differences	-	10,989	-	10,989
Balance at December 31, 2010	(3,400)	21,687	5,974	24,262

23 POST-EMPLOYMENT BENEFIT OBLIGATIONS

As required under Austrian labor law, the Company makes contributions to a multi-employer, defined contribution plan (Mitarbeitervorsorgekasse). Monthly contributions to this plan are recognized in the period incurred. Monthly contributions to the scheme amount to 1.53% of the salary of each respective employee. In the years ended December 31, 2010 and 2009, contribution costs amounted to EUR 183 thousand and EUR 186 thousand, respectively.

24 TRADE AND OTHER PAYABLES AND ACCRUALS

Trade and other payables and accruals include the following:

	At December 31,	
EUR in thousands	2010	2009
Trade payables	16,454	7,667
Accrued expenses	15,052	11,857
Social security and other tax payables	1,148	810
Other payables	331	798
	32,986	21,131
Less non-current portion	(312)	(382)
Current portion	32,675	20,749

25 DEFERRED INCOME

	At December 31,	
EUR in thousands	2010	2009
Arising from collaboration and licensing agreements	21,368	36,527
Arising from government grants	2,482	2,684
	23,850	39,211
Less non-current portion	(16,549)	(30,092)
Current portion	7,301	9,119

26 BORROWINGS

Borrowings of the Company at year end include the following:

EUR in thousands	At December 31, 2010	2009
Non-current		
Bank borrowings	3,553	3,433
Other loans	321	535
Finance lease liabilities	33,587	34,899
	37,461	38,867
Current		
Bank borrowings	570	-
Other loans	1,477	1,674
Finance lease liabilities	1,314	1,355
	3,361	3,029
Total borrowings	40,821	41,896

The maturity of non-current borrowings is as follows:

EUR in thousands	At December 31, 2010	2009
Between 1 and 2 years	1,546	2,136
Between 2 and 3 years	1,614	1,542
Between 3 and 4 years	2,438	1,616
Between 4 and 5 years	1,311	1,757
Over 5 years	30,551	31,816
Non-current borrowings	37,461	38,867

The carrying amounts of the Company's borrowings are denominated in the following currencies:

EUR in thousands	At December 31, 2010	2009
EUR	40,245	40,862
USD	576	1,034
Total borrowings	40,821	41,896

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

In 2010, EUR 5,344 thousand (2009: EUR 4,608 thousand) of the outstanding loans are guaranteed by Austrian governmental organizations.

The following table presents the fair value of guaranteed borrowings without taking the interest subsidy into consideration, based on an estimated arms' length interest rate of 1.77% at year end 2010 (2009: 2.84%):

	Carrying amounts at December 31,		Fair values at December 31,	
EUR in thousands	2010	2009	2010	2009
Bank borrowings	4,123	3,433	4,159	3,287
Other loans	1,222	1,174	1,222	1,188
Guaranteed borrowings	5,344	4,608	5,381	4,475

For all other borrowings the carrying amounts equal their fair values.

27 PROVISIONS

	At December 31,	
EUR in thousands	2010	2009
Non-current	-	-
Current	6,071	-
Provisions	6,071	-

EUR in thousands	Restructuring	Total
Balance at January 1, 2010	-	-
Charged to the income statement:		
- Additional provisions	6,071	6,071
Balance at December 31, 2010	6,071	6,071

Due to the discontinuation of our TD clinical program in December 2010 the Company decided to terminate the development of the TD vaccine. In several employee meetings held in December 2010, the Company announced the reduction of the workforce in Gaithersburg and in Vienna. In addition, the costs to finalize the ongoing clinical studies are included in the restructuring provision. The Management makes estimates and assumptions regarding these costs. For more details see note 9.

28 CASH USED IN OPERATIONS

The following table shows the adjustments to reconcile net loss to net cash used in operations:

		Year ended December 31,	
EUR in thousands	note	2010	2009
Loss for the year		(255,182)	(18,375)
Adjustments for			
- Depreciation and amortization	13/14	7,662	5,331
- Impairment fixed assets/intangibles	13/14	176,664	-
- Share-based compensation	21	3,519	4,160
- Tax	11	4,684	(10,066)
- Loss from disposal of property, plant and equipment		56	56
- Other non-cash income/expense		(740)	30
- Loss on disposal of available-for-sale financial assets	16	489	1,128
- Interest income	10	(1,824)	(4,315)
- Interest expense	10	629	1,118
- Changes in other long-term assets and liabilities		(14,312)	(10)
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):			
- Inventory		(2,737)	1,828
- Trade and other receivables		5,510	(429)
- Trade and other payables		4,977	(5,318)
- Provisions		6,071	-
Cash used in operations		(64,535)	(24,860)

The following table shows the adjustments to reconcile net loss from the disposal of property, plant and equipment to proceeds from the disposal of property, plant and equipment:

EUR in thousands	2010	2009
Net book value	84	2,023
Loss on disposal of property, plant and equipment	(56)	(56)
Proceeds from disposal of property, plant and equipment	28	1,967

29 COLLABORATION AND LICENSE AGREEMENTS

The Company has entered into various agreements with industrial partners and agencies under which it receives or grants certain rights on vaccine technologies, product candidates, and intellectual property. The terms of these agreements include milestone payments, which are contingent on the achievement of certain developmental milestones by the party receiving such rights as well as royalty payments, which are contingent on the sales of products derived through use of such rights.

29.1 *In-license agreements*

In June 1998, the Company entered into an agreement with Boehringer Ingelheim International GmbH (BII). Pursuant to this agreement, the Company obtained the right to use the TransVax technology in the research and development of its products for laboratory, pharmaceutical, and diagnostic use. In April 2003, the parties signed a license agreement giving the Company commercialization rights for products based on the TransVax technology for a broad range of disease areas. In return, the Company has granted BII royalties on future net product sales. The TransVax technology is relevant for the Company's therapeutic Hepatitis C vaccine.

In April 2003, the Company entered into a set of agreements with VaccGen International, LLC ("VaccGen") for acquiring a vaccine project targeting Japanese Encephalitis virus infections. Under the terms of these agreements, the Company has obtained an exclusive license and certain documents and materials, which as a whole has allowed it to further develop the product and to market it after successful completion of the development process and after regulatory approval. VaccGen received milestone payments and is entitled to receive royalty payments on product sales.

In September 2003, the Company obtained a worldwide exclusive license from the National Institutes of Health (NIH) and the U.S. Centers for Disease Control and Prevention (CDC), agencies within the U.S. Department of Health and Human Services, for certain intellectual property rights relevant for the Company's therapeutic vaccine to treat Hepatitis C. The Company is subject to annual license and milestone payments. In addition, royalties on net sales will be payable by the Company upon commercialization.

In November 2004, the Company obtained a worldwide non-exclusive license from sanofi-aventis for certain intellectual property rights related to the Company's Japanese Encephalitis vaccine. The Company is not required to pay any milestone payments in connection with this license, but the Company is required to pay royalties on net sales of the vaccine in certain countries.

Through the acquisition of Pelias Biomedizinische Entwicklungs AG, the Company became a party of an exclusive license agreement with Novartis, entered into in November 2005. Pursuant to this agreement, the Company gained access to an exclusive license on certain intellectual property rights with respect to a vaccine candidate for the prevention of Pseudomonas aeruginosa infections. The Company is subject to milestone payments and royalties on future net sales upon commercialization.

In June 2007, the Company obtained a worldwide exclusive license from the U.S. Centers for Disease Control and Prevention (CDC), an agency within the U.S. Department of Health and Human Services, for certain intellectual property rights relevant for the Company's Streptococcus pneumoniae vaccine. The Company is subject to annual minimum royalties, benchmark royalties, and royalties on net sales upon commercialization.

In May 2008, the Company obtained a worldwide exclusive license from Zovec AB for certain intellectual property rights relevant for the Company's Borrelia vaccine. The Company is subject to annual license and milestone payments. In addition, royalties on revenues and royalties on net sales will be payable by the Company upon commercialization.

Through its fully owned subsidiary Intercell USA, Inc., which was acquired in August 2008, the Company gained access to a worldwide exclusive license for certain intellectual property rights relevant for the Company's Patch Technology, which had been obtained from the Walter Reed Army Institute of Research (WRAIR) in April 2001. The Company is subject to annual license and milestone payments. In addition, royalties on revenues and royalties on net sales will be payable by the Company upon commercialization.

In March 2009, the Company concluded an Assignment Agreement with the University of Ulm for an invention (and related patent applications) covering several GBS antigens. The Company has to pay royalty fees on net sales upon commercialization of a product.

In April 2009, the Company entered into a conditional intellectual property assignment from TechLab Therapeutics LLC for specific intellectual property rights relevant for the Company's C. difficile vaccine. The Company is subject to certain milestone payments and deferred payments of gross sales upon commercialization.

In June 2009, the Company entered into a license agreement with Dow for expression of LT in their Pseudomonas-based expression system Pfenex.

Total license and milestone payments made in 2010 amounted to EUR 1,413 thousand (2009: EUR 4,516 thousand), of which EUR 563 thousand (2009: EUR 3,845 thousand) have been capitalized as intangible assets. Future royalty obligations that are contingent upon future product sales are not quantifiable due to uncertainty over future product sales.

29.2 *Out-license agreements*

In December 2003, the Company entered into a collaboration and licensing agreement with sanofi-aventis under which it has identified relevant antigens for use in a bacterial vaccine. In June 2005, sanofi-aventis exercised its option to acquire a worldwide exclusive license from the Company with respect to the intellectual property rights in the specific field of this collaboration. The Company is entitled to receive license fees, research and development funding, milestone payments, and royalty payments on product sales.

In February 2004, the Company entered into a commercial license agreement with the Statens Serum Institut (SSI) for the development of a new prophylactic Tuberculosis vaccine. The vaccine combines recombinant Tuberculosis antigens developed by SSI with the Company's synthetic Immunizer IC31® as an adjuvant. The Company has the right to receive up-front and milestone payments as well as a substantial share in the profits on future product commercialization.

In May 2004, the Company signed a worldwide exclusive commercial license agreement with Merck & Co., Inc. (Merck & Co.), allowing Merck & Co. to develop a bacterial vaccine against Staphylococcus aureus infections and granting Merck & Co. an option to develop antibody products. This option was exercised in May 2006. The Company will, upon successful completion of certain development milestones by Merck & Co., receive further license payments and has the right to royalty payments on future product sales.

In March 2006, the Company entered into a collaboration agreement with Kirin Brewery Co Ltd. to develop human monoclonal antibodies against severe infections caused by Streptococcus pneumoniae. The agreement has been amended in October 2010 and over the term of the agreement, Intercell is entitled to receive royalties on future net sales of the product.

In October 2006, the Company entered into an agreement with Merck Sharp & Dohme Research Ltd., an affiliate of Merck & Co., Inc. (Merck & Co.) under which it granted a worldwide exclusive commercial license to develop a prophylactic vaccine against Group A Streptococcus infections and a license option to develop antibody products. In September 2008, Merck & Co. has declined the antibody option. The collaboration ended in August 2010, and the Company is now continuing the further development of the antigens in-house.

In July 2007, the Company entered into a major strategic partnership with Novartis Pharma AG, an affiliate of Novartis AG (Novartis), to accelerate innovation in vaccine 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® in Influenza vaccines and Meningitis vaccines. In addition, Novartis was granted option rights for further licenses on IC31® and a broad range of un-partnered vaccine candidates on fixed terms and conditions. In consideration, the Company received up-front license and option fees of EUR 120m and is entitled to substantial further payments upon achievement of certain development milestones as well as royalties on future product sales or to a share of the profits. In addition, Novartis purchased 4.8 million new shares of the Company at an issue price of EUR 31.25 per share and holds 14.9% of the Company's share capital.

In December 2009, the Company entered into a long-term strategic alliance agreement with GlaxoSmithKline (GSK) to accelerate the development and commercialization of needle-free, patch-based vaccines. The agreement includes marketing and distribution arrangements for the Company's investigational Travelers' Diarrhea Vaccine Patch, a collaboration on the Vaccine Enhancement Patch system in the area of Pandemic Influenza as well as a license for the use of the Vaccine Patch delivery technology for other GSK vaccines. Under the terms of the agreement the Company received an up-front cash consideration

of EUR 33.6m from GSK and is entitled to substantial further payments upon achievement of certain development milestones as well as shares in profits or royalties on future product sales. In addition, the parties agreed on a staggered purchase of shares in the Company by GSK up to a maximum amount of EUR 84.0m or up to 5.0% of the Company's share capital, of which 900,000 new shares, representing 1.9% of the Company's share capital, were purchased upon closing at an issue price of EUR 31.21 per share.

In May 2010, the Company entered into a strategic partnership with Boehringer Ingelheim Vetmedica GmbH (Boehringer Vetmed) to develop animal vaccines. The Company entered into a worldwide option and exclusive license agreement under which Boehringer Vetmed has the right to use certain antigens derived from the Company's AIP® to develop animal vaccines. Under the agreement, the Company will receive up-front, option and milestone payments as well as royalties on product net sales.

29.3 *Other collaborations*

In December 2006, the Company agreed to enter into a marketing and distribution partnership for its Japanese Encephalitis vaccine in the USA, Europe, and certain other markets in Asia and Latin America with Novartis Vaccines and Diagnostics, Inc., an affiliate of Novartis AG (Novartis). Under the terms of this agreement, Intercell is responsible for the development and manufacturing of the vaccine and will sell the vaccine to Novartis at a transfer price, which is based on the net sales of the vaccine less a certain distribution margin. Novartis is responsible for the marketing and distribution of the vaccine at its own cost. In addition, the Company received further milestone payments after regulatory approvals of the vaccine in the USA and the European Union.

In addition, the Company has entered into marketing and distribution alliances with CSL Ltd. for Australia, New Zealand, Papua New Guinea, and certain Pacific islands, and with Biological E Limited for India, Pakistan, Nepal, and Bhutan.

In October 2010, the Company entered into a strategic partnership with Romark Laboratories L.C. (Romark) where the Company designed a treatment that combines the Company's investigational Hepatitis C vaccine, IC41, with Romark's antiviral drug, nitazoxanide. A combination Phase II trial is expected to start in 2011. The trial will be sponsored by Romark. The Company will provide the vaccine candidate IC41 while both companies retain commercial rights for their respective products.

The Company has also entered into a number of material transfer agreements with pharmaceutical and biotechnology companies pursuant to which it makes its proprietary adjuvant technology available for evaluation for the development of novel vaccines without granting any commercial rights.

30 COMMITMENTS AND CONTINGENCIES

a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	At December 31,	
EUR in thousands	2010	2009
Property, plant and equipment	124	249
Capital commitments	124	249

b) Operating lease commitments

Future aggregate minimum lease commitments under non-cancelable operating leases are as follows:

	At December 31,	
EUR in thousands	2010	2009
Not later than 1 year	1,257	1,208
Later than 1 year and not later than 5 years	2,041	2,741
Later than 5 years	-	-
Operating lease commitments	3,298	3,949

In addition, the Company leases parking space, employee living accommodations, cars, and equipment under cancelable operating lease agreements. These leases have varying termination clauses.

c) Other contingencies

For commitments and contingencies resulting from transactions with related parties see note 32.

31 BUSINESS COMBINATIONS

On June 7, 2010, the Company completed the acquisition of a technology platform for monoclonal antibody discovery from Cytos Biotechnology Ltd., Schlieren, Switzerland ("Cytos"). The technology is based on expression cloning of monoclonal antibodies from human B-cells and enables the identification of anti-infective antibodies to prevent and treat infectious diseases. The acquired assets and liabilities partly remain located in the newly established Intercell AG branch in Schlieren, Switzerland, and have been included in the Company's assets and liabilities as of June 7, 2010.

The agreed purchase consideration is EUR 15,000 thousand. The payment will be effected in two tranches. The first tranche of EUR 10,000 thousand was paid in June 2010 and the second tranche is due in January 2011. The business combination has been accounted for under the purchase method, i.e. the cost of the business combination was allocated to the assets acquired and liabilities and contingent liabilities assumed at their respective fair values.

From the acquisition date through December 31, the acquired business contributed no revenue and a net loss of EUR 539 thousand to the Company's consolidated income statement.

Details of net assets acquired are as follows:

	EUR in thousands
Purchase consideration	
- Cash consideration paid to Cytos on June 7, 2010	10,000
- Cash consideration to be paid to Cytos on January 31, 2011	5,000
Total purchase consideration	15,000
Fair value of net assets acquired	15,000
Goodwill	0

The fair value of the assets and liabilities acquired through the business combination are as follows:

EUR in thousands	Fair Value
Property, plant and equipment	91
In-process research and development projects	14,983
Trade and other payables	(74)
Net assets acquired	15,000

In the initial accounting for the business combination, the fair values assigned to the identifiable assets and liabilities have been determined on a provisional basis. Any adjustments to those provisional values as a result of completing the initial accounting shall be recognized within twelve months of the acquisition date.

There were no acquisitions in 2009.

32 RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

32.1 Purchases of services

EUR in thousands	Year ended December 31, 2010	2009
Purchases of services:		
- Member of the Supervisory Board	5	5
Purchases of services	5	5

Hans Wigzell, a member of the Supervisory Board, is also engaged as a member in the Scientific Advisory Board. Therefore he receives fees on normal commercial terms and conditions as the other Scientific Advisory Board members.

32.2 Key management compensation

The aggregate compensation of the members of the Company's Management Board includes the following:

EUR in thousands	Year ended December 31, 2010	2009
Salaries and other short-term employee benefits	1,416	1,839
Other long-term benefits	39	39
Share-based payments (stock compensation expense)	808	1,136
Key management compensation	2,263	3,015

The Company has entered into contractual arrangements with members of the Management Board, entitling them to a one-off payment in certain cases of termination of their employment relationship with the Company. Contingent liabilities under these contractual arrangements as of December 31, 2010 amounted to EUR 3,664 thousand (2009: EUR 2,069 thousand).

32.3 Supervisory Board compensation

The aggregate compensation of the members of the Company's Supervisory Board amounted to EUR 288 thousand (2009: EUR 193 thousand).

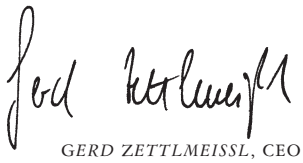
33 EVENTS AFTER THE REPORTING PERIOD

On January 21, 2011 it was announced that the Company's asset-backed securities fund, which has been suspended from trading as a consequence of the financial crisis on the asset-backed securities markets in 2007, will resume trading with effect of March 10, 2011. In the next consolidated interim financial reports this fund is therefore expected to be reclassified from long-term financial assets to short-term financial assets.

On February 23, 2011 the Company announced the placement of EUR 33.0 million of Senior Unsecured Convertible Notes (the „Notes") in a private placement transaction. 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 through the final scheduled maturity of the Notes. The original investors in the Notes will have the right to purchase an additional EUR 33.0 million of Notes on essentially the same terms as the original issue for a period of 12 months following the closing and 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. This transaction will be accounted for as compound financial instrument.

Vienna, March 11, 2011

The Management Board:



GERD ZETTLMEISSL, CEO

THOMAS LINGELBACH, COO

MUSTAPHA LEAVENWORTH BAKALI, CBO

REINHARD KANDERA, CFO

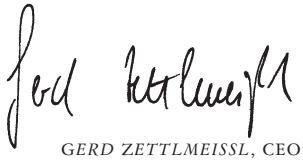
The Consolidated Financial Statements of Intercell AG for the fiscal year from January 1, 2010 to December 31, 2010, the Management Report, and the Audit Opinion thereof have been issued in German language in accordance with section 245a and 193 of the Austrian Commercial Code. We draw attention to the fact that this translation into English is provided for convenience purposes only and that only the German wording is legally binding.

PURSUANT TO SECTION 82 (4) OF THE AUSTRIAN STOCK EXCHANGE ACT

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the International Financial Reporting Standards, as adopted by the EU, and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

Vienna, March 11, 2011

The Management Board:



GERD ZETTLMEISSL, CEO

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The financial statements of Intercell AG according to UGB (separate financial statements) are available for download on www.intercell.com.

2011 FINANCIAL CALENDAR

March 01, 2011	Preliminary Q4 results for the twelve months ended December 31, 2010
May 10, 2011	Q1 results for the three months ended March 31, 2011
June 10, 2011	Annual General Meeting
June 17, 2011	Ex-Dividend Date*
August 16, 2011	Q2 results for the six months ended June 30, 2011
November 08, 2011	Q3 results for the nine months ended September 30, 2011
November 25, 2011	Open House 2011

**no dividend payment to be expected*

INTERCELL SHARES

Share Performance 2010

For further information, please contact:

Intercell Investor Relations, investors@intercell.com, T +43-1-20620

CONTACT

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Austria
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F: +43-1-20620-800
E: communications@intercell.com

Intercell Biomedical Ltd.

The manufacturing capacity is dedicated to the late-stage Japanese Encephalitis vaccine and the vaccine pipeline resulting from our bacterial Antigen Identification Research and Development Programs.

Intercell Biomedical Ltd.
Oakbank Park Road
Livingston
EH53 0TG
Scotland

Intercell USA, Inc.

Intercell USA focuses on the discovery and development of vaccines and immune system stimulants, administrated via a novel, needle-free vaccine patch technology.

Intercell USA, Inc.
20 Firstfield Road
Gaithersburg, MD 20878
United States of America

CORPORATE SOCIAL RESPONSIBILITY – GOALS

AREA	OBJECTIVE	STATUS QUO	FUTURE GOALS
CSR & Sustainability at Intercell	*Drive CSR and sustainability development forward*	*A CSR working group was established to generate the first sustainable Annual Report*	*Anchor this CSR working group within the Company and implement regular meetings (at least twice a year)*
	Receive ÖkoBusinessPlan label for sustainable development	*Intercell participates in ÖkoBusinessPlan administrated by the City of Vienna*	*Fulfill the requirements of the ÖkoBusinessPlan and possible participation in further modules*
	Strengthen and further expand the collaboration with EcoHimal	*Project funding by Intercell until end-2012*	*Further project updates and reports on the ongoing activities*
	Consolidate social sponsoring initiatives throughout Intercell	*Intercell AG, Intercell USA, Inc. and Intercell Biomedical Ltd. have different social sponsoring activities in place*	*Analyze current social sponsoring activities and align them with the Company strategy*
R&D	*Make innovation accessible to developing countries*	*Efforts to extend the label for Intercell's Japanese Encephalitis vaccines to children and expand the global reach of this product*	*Start of Phase II/III trials in India to protect children in endemic regions against Japanese Encephalitis*
		Intercell works with international organizations that are dedicated to combating illness in developing countries	*Increase the number of regulatory approvals and subsequent launches in various global markets* *Strengthen the collaboration with international humanitarian organizations*
	Meet the need of a growing and changing vaccine market	*Intercell's progress in new disease area and entry into the area of hospital – acquired infections*	*Broaden and strengthen our vaccine product portfolio*

AREA	OBJECTIVE	STATUS QUO	FUTURE GOALS
HR	Values & Behaviors	Implementation in Vienna successful	Continue V&B process in Vienna & Livingston
	Investors in people	2010: Intercell receives Investors in People Award	Investors in People re-certification assessment in 2013
Environmental commitment	Cut overall energy consumption by 5 to 10% until 2012 compared to 2009	Vienna and Livingston installed sub-electric meter stations	First data and analysis of energy consumption
	Interaction with business partners according to our CSR strategy	Focus on local suppliers and rolling out Intercell's ethical standards	Implement new common procurement practices for suppliers, related to Intercell's Code of Conduct and our CSR mission statement. Create a CSR questionnaire to progress that our suppliers meet Intercell's guidelines and ideas of sustainability and social responsibility
	Strengthen and further develop an efficient strategic approach to environmental sustainability		Comprehensive measurements across all sites to establish the baseline and to allow fine-tuning of goals
	Improved recording of environmental data for all sites	Better collection and quality of data compared to 2009	Create long-term goals for waste management and the reduction of water use

GRI Content Index

This report is Intercell's first Annual Report that addresses sustainability in an integrated manner. The reporting period covers the calendar year 2010. The performance data included in this report are from the year 2010 unless stated otherwise. Intercell's Annual Report is updated annually. The following overview shows where and which indicators from the Global Reporting Initiative (GRI) for sustainability reports are covered in this report. According to the GRI-definition, Intercell's report corresponds to Application Level B, which has been checked by GRI itself. The full GRI Content Index can be downloaded here: www.intercell.com/main/forbeginners/csr/csr-mission-statement/global-reporting-initiative-gri/GRI_Content_Index_2010_ENG.pdf

1 STRATEGY AND ANALYSES

G3 Code	Content	Page, Remarks
1.1	Statement from the most senior decision-maker	7-9, Interview with the Management Board
1.2	Description of key impacts, risks and opportunities	7-9, Interview with the Management Board; 50-52, Social Commitment at Intercell; 63-65, Risk Factors; 68, Financial Strategy

2 ORGANIZATIONAL PROFILE

G3 Code	Content	Page, Remarks
2.1	Name of the organization	144, Imprint
2.2	Brands, products and services	25-27, Products and Programs
2.3	Operational structure	5, Organizational Chart
2.4	Headquarter location	144, Imprint
2.5	Countries in operation	5, Organizational Chart; 48-49, Locations
2.6	Nature of ownership and legal form	Cover page 2, Shareholder Structure; Cover page 3, Forward-looking statements
2.7	Markets served	26-27, Marketed Product – Vaccine against Japanese Encephalitis
2.8	Scale of the organization	48-49, Locations
2.9	Significant changes regarding size, structure, or ownership	Cover page 2, Shareholder Structure, no changes to previous year
2.10	Awards	3, CSR Highlights

3 REPORT PARAMETERS

G3 Code	Content	Page, Remarks
3.1	Reporting period	137, GRI Content Index
3.2	Date of most recent previous report	137, GRI Content Index
3.3	Reporting cycle	137, GRI Content Index
3.4	Contact point for questions	144, Imprint
3.5	Process for defining report content	Intercell prioritizes the topics according to the feedback of the rating of VÖNIX, the Austrian sustainability index. In accordance with this feedback, the stakeholders were defined as all groups that are interested in the operations and decisions of Intercell
3.6	Boundary of the report	This report mainly focuses on Intercell AG, but if available also includes data from other sites
3.7	Limitations on the scope or boundary of the report	see 3.6
3.8	Joint ventures, subsidiaries, and outsourced operations	48-49, Locations
3.9	Data measurement techniques	The data come from the financial, human resource, supply chain, facility and investor relations department
3.10	Effects of re-statement of information provided in earlier reports	137, GRI Content Index
3.11	Significant changes in the scope, boundary, or measurement methods	first report according to GRI
3.12	GRI Content Index	137-142, GRI Content Index
3.13	External assurance	72-73, PwC Wirtschaftsprüfer (Auditor's Report)

4 GOVERNANCE, COMMITMENTS AND ENGAGEMENT

G3 Code	Content	Page, Remarks
4.1	Governance structure	13-17, Organization of Governing Bodies
4.2	Indicate whether the chairperson is also executive officer	10, Intercell's Management Board
4.3	Independent members at the board	11, Supervisory Board; 13-17, Organization of Governing Bodies
4.4	Mechanisms for shareholders and employees to provide recommendations to the board	17, General Meeting of Shareholders; 50-52, Human Resources
4.5	Linkage between executive compensation and organization's performance	18-19, Director Compensation
4.6	Processes to avoid conflicts of interest at the board	13-17, Organization of Governing Bodies
4.7	Expertise of board members on sustainability topics	4, CSR-Organizational structure
4.8	Values, codes of conduct, and principles	1, Intercell at a Glance; 46, Code of Conduct; 51, Values & Behaviors
4.9	Procedures for board governance on management of sustainability performance	4, CSR-Organizational structure
4.10	Processes for evaluation of the board's sustainability performance	4, CSR-Organizational structure
4.11	Precautionary approach	7-9, Interview with the Management Board
4.12	External charters, principles, or other initiatives	3, CSR Highlights in 2010
4.13	Memberships in associations	3, CSR Highlights in 2010; interest groups like Wirtschaftskammer, Industriellenvereinigung
4.14	Stakeholder groups	42-46, Intercell's Stakeholders
4.15	Stakeholder identification and selection	42-46, Intercell's Stakeholders
4.16	Approaches to stakeholder engagement	42-46, Intercell's Stakeholders
4.17	Topics and concerns raised by stakeholders	42-46, Intercell's Stakeholders Intercell's annual open house event is open for all stakeholders and it is our goal to reply to all stakeholder inquiries within one working day. Our stakeholders raised questions around financial, healthcare and research issues, which could be cleared

5 DISCLOSURES ON MANAGEMENT APPROACH

5	Management approach and performance indicators	12, Corporate Governance Report; 25 & 27, Products and Programs; 44, Governance, Communities & Authorities; 46, Human Rights and Code of Conduct; 50 & 52, Social Commitment; 55, Managing our environmental footprint

ECONOMIC PERFORMANCE INDICATORS

G3 Code	Content	Page, Remarks
Economic performance		
EC1	Direct economic value generated and distributed	1, Intercell at a Glance
EC3	Coverage of the organization's defined benefit plan	52, Employee benefits
EC4	Financial government assistance	Grants related to R&D activities
Market presence		
EC6	Policy, practices, and proportion of spending on locally-based suppliers	43-44, Intercell's Stakeholders
EC7	Procedures for local hiring	The Company employs local staff and international top scientists
Indirect economic impacts		
EC8	Infrastructure investment and services for public benefit	Intercell creates value in the surrounding of its sites and invests in its local infrastructure, for example Intercell gives financial support for the public kindergarten at Campus Vienna Biocenter

ENVIROMENT PERFORMANCE INDICATORS

G3 Code	Content	Page, Remarks
Energy		
EN3	Direct primary energy consumption	55-56, Energy
EN4	Indirect primary energy consumption	55-56, Energy
Water		
EN8	Total water withdrawal	57, Water & Waste Management; the total water withdrawal is from municipal water supplies
Emissions, effluents and waste		
EN16	Greenhouse gas emissions	Intercell Biomedical Ltd.: 84.6 t CO2
EN17	Other greenhouse gas emissions	4, Intercell Biomedical Ltd.: 57 t CO2 for traveling
EN21	Water discharge	Intercell Vienna: quantity of waste water correlates with water consumption
EN22	Waste by type and disposal method	57, Water & Waste Management
EN23	Significant spills	There were no spills
Products and services		
EN26	Initiatives to mitigate environmental impacts	55-58, Managing our Environmental Footprint

SOCIAL PERFORMANCE INDICATORS

G3 Code	Content	Page, Remarks
Labor Practices and Decent Work		
Employment		
LA1	Workforce by employment type and region	52, Employment statistics
LA2	Employee turnover	52, Employment statistics
Labor / Management relations		
LA4	Employees with collective bargaining agreements	In Austria regulated by law; legal framework in the UK
LA5	Minimum notice period(s) regarding operational changes	51, Internal Communication
Occupational health and safety		
LA7	Occupational diseases, lost days, and numbers of fatalities	52, Employment statistics
LA8	Training on serious diseases	The Company offers regular health care checks and various vaccinations for free for all employees
Training and education		
LA10	Training per employee	52, Employment statistics
Diversity and equal opportunity		
LA13	Composition of governance bodies	10-11, Intercell's Management Board; 50, Social Commitment; 52, Employment statistics
Human rights		
Investment and procurement practices		
HR1	Investment agreements including human rights clauses	46, Human Rights
HR2	Supplier screening on human rights	46, Human Rights
Diversity and equal opportunity		
Non-discrimination		
HR4	Incidents of discrimination	No known incidents of discrimination occurred
Freedom of association and collective bargaining		
HR5	Freedom of association and collective bargaining	Intercell AG supports the freedom of association and collective bargaining. In Austria this is regulated by law, not ascertained for UK and U.S.
Child Labor		
HR6	Operations identified as having significant risk for incidents of child labor	Intercell's operations have no known risk for incidents of child labor

G3 Code	Content	Page, Remarks
Forced and compulsory labor		
HR7	Operations identified as having significant risk for incidents of forced labor	Intercell's operations have no known risk for incidents of forced labor
Society		
Corruption		
SO2	Business units analyzed for risks related to corruption	43, Intercell's Stakeholder – The Center of Attention; 46, Human Rights and Code of Conduct
Public policy		
SO5	Participation in public policy development and lobbying	Intercell does not participate in policy development and lobbying
Compliance		
SO8	Sanctions for non-compliance with laws and regulations	Intercell did not face any sanctions for non-compliance with laws and regulations
Product responsibility		
Customer health and safety		
PR1	Health and safety impacts of products and services	25, Products and Programs; 27, Customer health & safety and product responsibility; 100% of marketed products assessed
Product and service labeling		
PR3	Product and service information	Website, Product/Prescribing information; The product portfolio consisting of one marketed product, the product information applies to 100% of marketed products
Marketing communication		
PR6	Marketing communication standard	Intercell commits to transparent communications with its business partners; 26-27, Marketed Product; 27, Customer health & safety and product responsibility
Compliance		
PR9	Sanctions for non-compliance with products and service related regulations	Intercell did not face any sanctions for non-compliance with products and service related regulations

GRI – EXTERNAL CONTENT ASSURANCE

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Intercell AG** has presented its report „Annual Report 2010 addressing sustainability in an integrated manner" to GRI's Report Services which have concluded that the report fulfills the requirements of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

23 March 2011, Amsterdam

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

GRI REPORT
GRI CHECKED

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 15 March 2011. GRI explicitly excludes the statement being applied to any later changes to such material.*

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Sustainability report according to GRI guidelines – For the preparation of this sustainable Annual Report, Intercell was guided by the criteria and indicators of the Global Reporting Initiative (GRI). Based on these guidelines, the economic, ecological, and social achievements of an organization are to be presented in a structured and consistent fashion in order to make the results comparable over different business sectors. This report corresponds to the requirement level B, which has been checked by GRI itself. The most important indicators of the GRI index can be found in the appendix of this sustainable Annual Report; the full GRI index is available at www.intercell.com/main/forbeginners/csr/csr-mission-statement/global-reporting-initiative-gri/GRI_Content_Index_2010_ENG.pdf