intercell
SMART VACCINES

*stream*lined.

2011 / *Annual Report Intercell AG*

COMPANY

GROUP MANAGEMENT REPORT

FINANCIALS

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.

Content

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company

Chapter **01**

THOMAS LINGELBACH, CEO / *"Our strategy is based on our extraordinary capabilities, key assets and our strong ability to develop and commercialize novel vaccines with high unmet medical need. Moreover, we are a biotech company with several product candidates in clinical development and – notably – a first product on the market."*

SHAREHOLDER INFORMATION

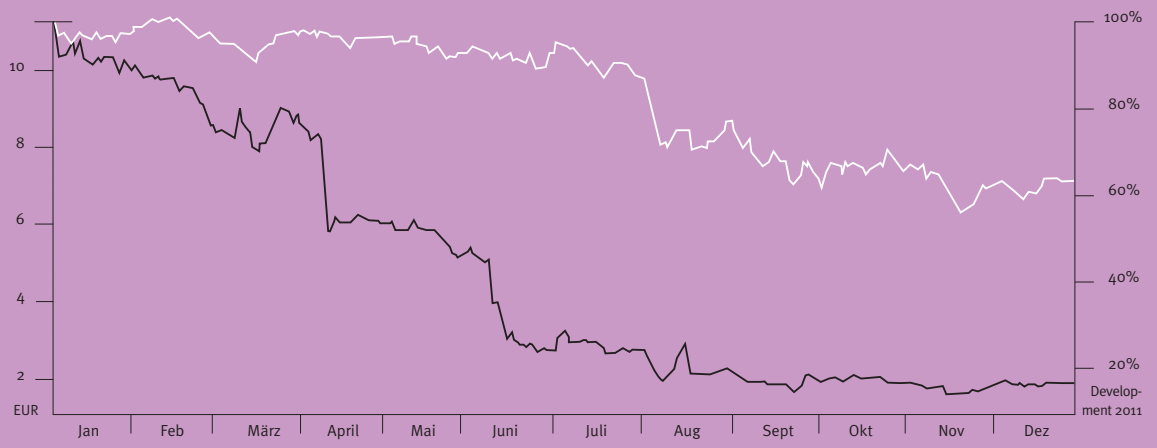
FINANCIAL POSITION

- IXIARO®/JESPECT® product sales growth of EUR 8.8m, or 68.4%, from EUR 12.8m in 2010 to EUR 21.6m in 2011
- Total revenues of EUR 32.9m in 2011 compared to EUR 34.2m in 2010, due to lower collaboration revenues
- Reduction of R&D expenses by 60.0% to EUR 29.9m and reduction of SG&A expenses by 20.1% to EUR 15.8m
- Net loss of EUR 29.3m in the year 2011, compared to EUR 255.2m in 2010
- Cash position of EUR 50.9m at year-end

For further information please contact
Intercell Investor Relations, investors@intercell.com
T +43-1-20620

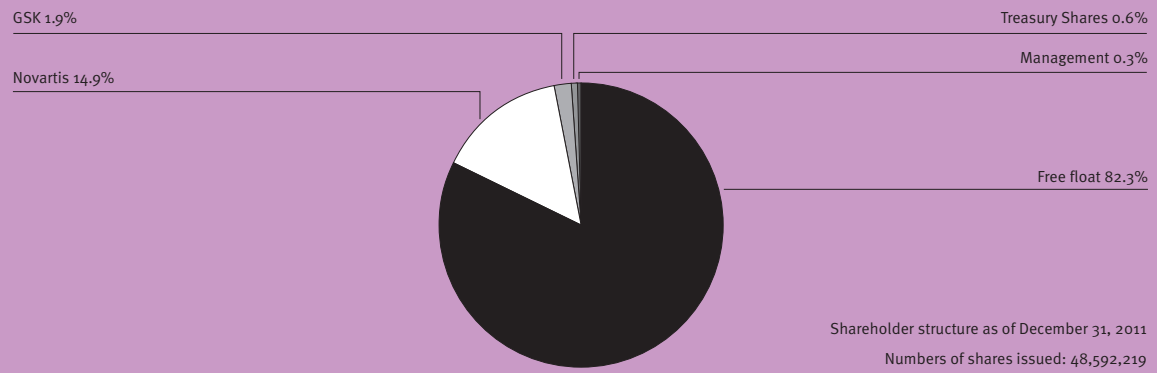
SHARE PERFORMANCE INTERCELL AG (2011-01-01 – 2011-12-31)

Development of Intercell's share price/ATX



Source: Wiener Börse AG & Interactive Data

SHAREHOLDER STRUCTURE



Shareholder structure as of December 31, 2011
Numbers of shares issued: 48,592,219

Chapter 01 *Shareholder Information*

Chapter 01 Intercell at a Glance

INTERCELL AT A GLANCE

Intercell AG is a vaccine-biotechnology company with the clear vision to develop and commercialize novel immunomodulatory biologicals to prevent disease and reduce suffering across the world. The Company is focused on research, development, manufacturing, and commercialization of innovative vaccines and monoclonal antibodies. Our product portfolio contains a marketed product against Japanese Encephalitis, several product candidates in clinical development, and additional candidates in pre-clinical development.

The Company's technology base includes novel platforms, such as the patch-based delivery system and the proprietary human monoclonal antibody discovery system eMAB®, in addition to well-established technologies upon which Intercell has entered into strategic partnerships with a number of leading pharmaceutical companies, including GSK, Novartis, Merck & Co., Inc. (Whitehouse Station, USA), and Sanofi.

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

Intercell AG's corporate headquarters, research and development functions and multi-purpose laboratories are based in Vienna, Austria. In addition, we have a manufacturing site for our JE vaccine in Livingston, Scotland. Our offices in Gaithersburg, Maryland, U.S., together with our distribution partner Novartis, focus on expanding direct selling resources of IXIARO®/JESPECT® to increase penetration in key markets. Intercell AG also conducts research in Schlieren, Switzerland, in connection with the platform technology for monoclonal antibody discovery.

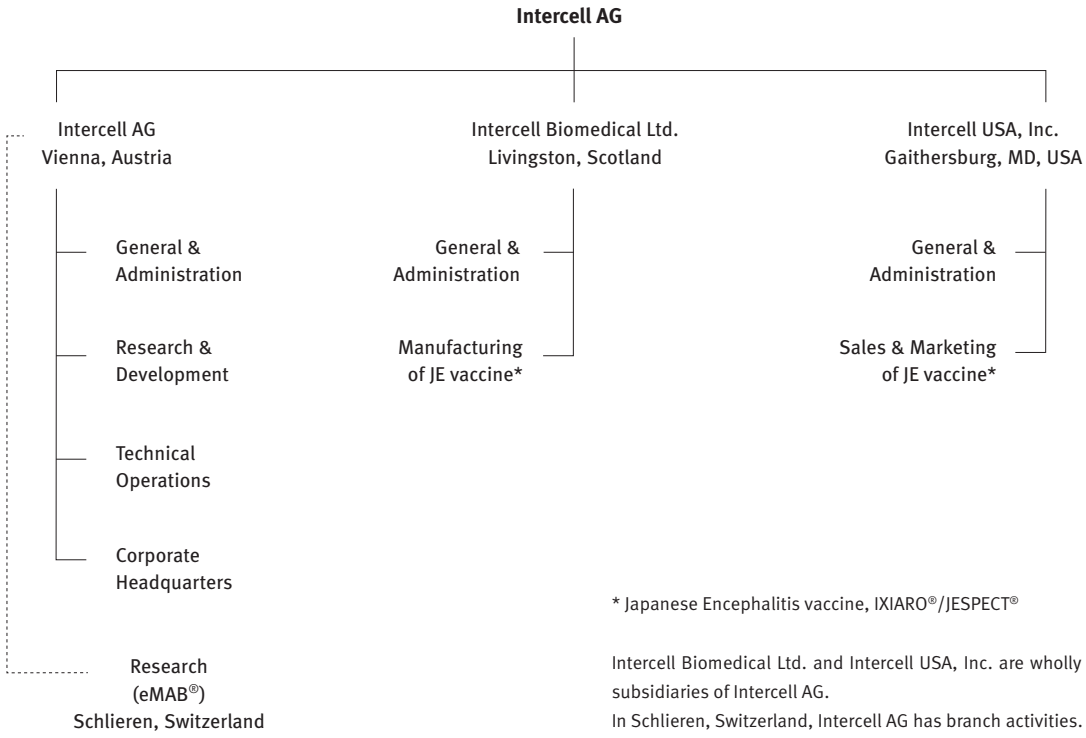
Intercell is listed on the Vienna Stock Exchange under the symbol "ICLL" and has a U.S. level 1 ADR program (symbol "INRLY").

For further information, please visit our website: www.intercell.com

KEY STRENGTHS

- Marketed product with growing revenues
- Diversified pipeline with Pseudomonas Phase II/III project and multiple other product opportunities
- Combination of proprietary technology platforms generating novel product candidates
- Strategic partnerships with leading global players

ORGANIZATIONAL CHART – INTERCELL GROUP



* Japanese Encephalitis vaccine, IXIARO®/JESPECT®

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

LETTER FROM THE CEO

DEAR SHAREHOLDER,

The past year was a very challenging and demanding one for Intercell. We had to deal with major setbacks following the disappointing results of the Travelers' Diarrhea Phase III trial and Merck & Co., Inc.'s decision to discontinue the Phase II/III S. aureus program. The consequences were a negative share price development and an all-time low for Intercell's share price. Having served the Company for more than five years, I took over as CEO at one of the most difficult times in Intercell's history. However, I would not have accepted the challenge of leading this Company without believing in its future and potential. Therefore, as a very first step in this position, I, together with my colleagues in the Management Team, initiated a renewal strategy for Intercell aiming to rebuild trust and confidence in new shareholder value by balancing pipeline investments with financial performance objectives. The strategy is based on Intercell's strong capabilities and key assets, but at the same time on a reduced cost base and a different risk/investment ratio in our R&D operations.

We prioritized our R&D pipeline programs with a focus on a capital-efficient and diversified portfolio. The next development steps for the Company's vaccine candidates against Pseudomonas (Phase II/III with Novartis), C. difficile (Phase I) as well as the Pandemic Flu vaccine patch system (Phase I with GSK vaccine) have been designed to balance risks and benefits as these candidates progress toward the next value inflection points. Although we reduced total R&D spending by 60% in 2011, we managed to maintain innovation, key talents and capabilities.

We have been striving towards leveraging the value of our partnerships through maximizing the potential of existing alliances and fostering new relationships. Our notable achievements in this area include: Intercell agreed on a co-financing arrangement for our Pseudomonas Phase II/III trial with Novartis and received a milestone payment from Merck & Co., Inc. for the S. aureus vaccine development program, despite the termination of the study.

The execution of Intercell's renewal strategy also includes significant cost cutting and re-structuring measures. Within the last six months we managed to implement and finalize a rigorous consolidation path as well as cost reduction processes. As part of this reorganization, it was necessary to reduce our total workforce – mainly at the sites in Vienna and in the U.S. – by approximately one third. This was the most difficult decision for me as the new CEO of Intercell, because I appreciated the contribution that these highly qualified individuals had made to the growth of the Company.

Major progress was made in consolidating R&D activities. We successfully transferred the patch R&D activities from Intercell's U.S. site in Gaithersburg to Vienna. By transitioning the residual R&D facility leases and selling the unused equipment, we eliminated the remaining R&D costs from U.S. operations as of 2012.

The foundation of our strategy geared towards financial self-sustainability is the growth of revenues, primarily of IXIARO®/JESPECT®, Intercell's first product on the market. I am pleased that we have shown a continuous year-on-year sales growth rate and have achieved our ambitious goal by reaching a full-year growth rate of more than 68% compared to 2010. I am convinced that we can further leverage product sales by additional penetration in the key markets, the expansion into the Asian endemic markets and the expected pediatric licensure. We are also expecting increased manufacturing efficiency and capacity utilization to lead to margin improvement in 2012. Further revenue can be expected from existing and future partnerships.

I think it is also important to point out that Intercell has progressed one of its fundamental public health commitments as a vaccine manufacturer, that is to bring this potentially life-saving vaccine at an affordable price to the people in the endemic markets in Asia through our continued collaboration with Biological E. Ltd. in India. Our announcement in November 2011 regarding the approval in India for the Japanese Encephalitis vaccine based on Intercell's modern, cell culture-derived technology can be considered to be one of the greatest milestones in the decade-long development of this vaccine.

We met adversity head-on and reached our ambitious goals through a strategic and operational turnaround. This resulted in reducing operating expenses in 2011 by 55% (excluding re-structuring expenses).

We have delivered against our objectives communicated as part of the renewal strategy, and I am confident that we have built a solid foundation for any operational and strategic growth of Intercell going forward.

I am proud of the multifaceted team I work with and what we have achieved together. I would also like to thank the talented members of the Supervisory Board for their support and contributions. And of course I would like to thank you, our shareholders, for your trust and confidence.

I look forward to an exciting year ahead and the further development of your Company.

Yours sincerely,

Thomas Lingelbach, CEO Intercell AG

Chapter **01** *Letter from the CEO*

Chapter 01

Management Board
Supervisory Board

MANAGEMENT BOARD

THOMAS LINGELBACH

Chief Executive Officer

Thomas Lingelbach was appointed as CEO in May 2011, after having served Intercell as COO since 2006, during which time his contribution was instrumental in Intercell becoming one of the few biotech companies to have successfully developed a vaccine for the public market. He has a long international pharmaceutical management track-record and extensive knowledge and expertise in the field of development, industrialization, and commercialization of vaccines.

REINHARD KANDERA

Chief Financial Officer

Reinhard Kandera joined Intercell in 2001 and served as Head of Finance and Controlling and Head of Investor Relations at Intercell, before he was appointed as CFO in March 2009. He is a financial expert with experience in corporate and investment banking and has broad industry know-how.

STAPH LEAVENWORTH BAKALI

Chief Business Officer

Staph Leavenworth Bakali was appointed as Intercell's CBO in October 2010, after having previously served as a member of the Supervisory Board since 2006. He brings more than 20 years of vaccine industry experience from his previous CEO/COO leadership activities and expertise in operations, corporate and business development and marketing.

GERD ZETTLMEISSL

Gerd Zettlmeissl resigned in May 2011. He had served the Company as CEO since 2005. While he was CEO, Intercell received the regulatory approval for the novel Japanese Encephalitis vaccine, formed major strategic alliances and successfully completed several financings.

SUPERVISORY BOARD

Intercell's Supervisory Board has six members as set forth below. Following the Annual Shareholder's Meeting in June 2011, the Supervisory Board welcomed Alexander von Gabain and Thomas Szucs as new members, while David Ebsworth resigned at that time. At the end of the year, Michel Gréco stepped down from his function as chairman, but remains a member of the Supervisory Board. Starting in January 2012, Thomas Szucs stepped into the position of the Chairman of the Supervisory Board.

THOMAS SZUCS

Chairman (since January 1, 2012)

ERNST GÜNTER AFTING

Vice Chairman

MICHEL GRÉCO

Chairman (until December 31, 2011)

ALEXANDER VON GABAIN

JAMES SULAT

HANS WIGZELL

DAVID EBSWORTH (until June 2011)

CORPORATE GOVERNANCE REPORT

The members of the Intercell AG Supervisory Board and the Management Board are committed to managing the Company's business operations transparently, in accordance with high ethical standards and focused on long-term value creation. We believe that good Corporate Governance is the basis for the trust that we have 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 has been 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 reflects 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 chairperson of the compensation committee of the Supervisory Board was Prof. Ernst Günter Afting, the Vice Chairman of the Supervisory Board, for the first half of 2011 in deviation from Section 43 of the Code. Prof. Afting served as Chairman of the Board for many years and remained the chairperson of the committee for compensation issues for purposes of continuity.
- The Company's stock option program 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 CEO with an indirect reporting line to the Supervisory Board.

Our Management Board currently consists of three members.

The following persons served as members of the Management Board in 2011:

Name	*Year of birth*	*First MB appointment*	*End of term*
Thomas Lingelbach Chief Executive Officer and Chairman of the Management Board, previously Chief Operating Officer*	1963	October 2007	May 2014
DDr. Reinhard Kandera Chief Financial Officer	1969	November 2009	October 2012
Mustapha Leavenworth Bakali Chief Business Officer	1961	October 2010	September 2013
Dr. Gerd Zettlmeissl formerly Chief Executive Officer*	1955	October 2001	May 2011

*Thomas Lingelbach was appointed Chief Executive Officer effective May 10, 2011, following the resignation of Gerd Zettlmeissl.

Chapter 01 *Corporate Governance Report*

Thomas Lingelbach was appointed Chief Executive Officer and Chairman of the Management Board effective May 10, 2011. He had served as the Company's Chief Operating Officer since 2006.

Thomas Lingelbach and DDr. Reinhard Kandera do not hold any board seats or directorships outside the Intercell Group.

Mustapha Leavenworth Bakali serves as an advisor to the Board 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.

Dr. Gerd Zettlmeissl stepped down as the Company's Chief Executive Officer on May 10, 2011, a position he had held since November 2005, prior to which he had been Chief Operating Officer since October 2001.

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. The types of transactions for which our Management Board must obtain prior approval from our Supervisory Board include transactions between the Company and members of its Management Board, a capital increase and an issuance of new shares, the determination of general principles of business policy, the commencement and abandoning of lines of business and types of production, or the acquisition, sale and shutdown of companies and businesses.

Our Supervisory Board currently has six members. All Supervisory Board members with the exception of Prof. Alexander von Gabain 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. Prof. von Gabain serves as a scientific and strategic advisor to the Company under a consulting agreement.

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.

<u>Our Supervisory Board has four, previously three, committees</u>

- an Audit and Corporate Governance 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 as well as for corporate governance issues. 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 and Corporate Governance 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, as well as general corporate governance matters and various aspects of our corporate compliance program.
- 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 two meetings during the past year, the subjects of which were management goals and variable elements of Management Board compensation.
- a Nomination Committee, which is responsible for succession planning of the Management Board and the Supervisory Board. The Nomination Committee met twice during the past year and discussed the changes to the Supervisory Board and succession planning for the Management Board.
- a Scientific Committee, which was established in September 2011 and which is responsible for providing strategic advice on scientific matters. The Scientific Committee met twice during the past year and discussed the Company's research pipeline and clinical development programs.

During 2011, 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 for all or part of 2011:

Name	*Year of birth*	*First election*	*End of term**	*Member of Committee***
Michel Gréco (Chairman until January 1, 2012)	1943	July 2003	2013	A, C***, N***
Prof. Ernst Günter Afting (Vice Chairman)	1942	February 1999	2013	C***, S
James Sulat	1950	September 2004	2013	A***
Prof. Hans Wigzell	1938	May 2006	2012	N, S
Prof. Thomas Szucs (Chairman since January 1, 2012)	1960	June 2011	2016	A, N***
Prof. Alexander von Gabain	1950	June 2011	2016	S***, C
Dr. David Ebsworth	1954	November 2003	June 10, 2011	A, C

* End of General Meeting of Shareholders in the respective year

** A... Audit Committee and Corporate Governance Committee, C... Compensation Committee, S... Scientific Committee (established September 2011), N... Nomination Committee

*** Indicates Chairperson of the Committee

Michel Gréco resigned from his position as Chairman of the Supervisory Board effective January 1, 2012, but he retains his appointment as a member. In 2011 he was 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 the U.S. and Europe. 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.

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, SOBI AB, Epixis SA, HuMabs LLC, and Avi Biopharma Inc. In 2011, Prof. Wigzell also served on the Company's Scientific Advisory Board.

Prof. Thomas Szucs was elected to the Supervisory Board at the most recent General Meeting of Shareholders, effective June 11, 2011, and appointed Chairman of the Supervisory Board effective January 1, 2012. He is Director of the Institute of Pharmaceutical Medicine (European Center of Pharmaceutical Medicine) at the University of Basel, and, since 2010, the Chairman for Curriculum Matters for the Master Program in Public Health of the Universities of Basel, Bern and Zurich. Prof. Szucs is President of the Board of the Helsana Group and BB Biotech AG and serves on the Boards of Biovertis AG and the Kantonsspital Uri. He also serves as Vice President of the Outcomes Research Network of the Swiss Working Group of Clinical Cancer Research (SAKK).

Prof. Alexander von Gabain, one of the Company's cofounders, was elected at the General Meeting of Shareholders on June 10, 2011, to the Supervisory Board, effective July 1, 2011. He currently serves as a scientific and strategic consultant to the Management Board. He is professor of microbiology at the Max Perutz Laboratories of the University of Vienna, and foreign adjunct professor at the Karolinska Institute, Stockholm, Sweden. Prof. von Gabain serves as a scientific advisor to TVM Capital, Munich, Germany, and as Chairman of the Supervisory Board of INiTS Universitäres Gründerservice Wien GmbH, an entrepreneurial support organization of the Viennese universities for start-up businesses. He is also a member of the WHO committee "Stop Tuberculosis", and the Committee of the Gates Foundation, "A decade of vaccines". Since 2008, he has been serving on the governing board of the European Institute of Innovation and Technology (EIT), of which he became the Chairman in September 2011.

Dr. David Ebsworth was a member of the Supervisory Board from December 2003 until his resignation effective June 10, 2011.

Chapter 01 *Corporate Governance Report*

Chapter 01 Corporate Governance Report

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 seven different nationalities. Currently, no women are serving on either board.

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 2011 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/forinvestors/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, 2011:

					Stock options granted	
in EUR	*Base salary*	*Bonus*	*Other benefits*	*Total*	*Number*	*Fair value**
Thomas Lingelbach	288,000	160,000	55,782	503,782	150,000	130,008
DDr. Reinhard Kandera	216,000	120,000	25,963	361,963	150,000	130,008
Mustapha Leavenworth Bakali	283,500	157,500	25,200	466,200	150,000	130,008
Dr. Gerd Zettlmeissl**	121,071	-	354,364	475,435	-	-

* Fair value at grant date of options granted in 2011

** Base salary until resignation effective May 10, 2011

Payment of any bonus amount is subject to the achievement of pre-defined financial and individual performance goals. The Supervisory Board, upon recommendation from 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. Since 2011, the variable component of each Management Board member's remuneration includes 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 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 each member of the Management Board, 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 any 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 2011, 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 their positions on the Company's Scientific Advisory Board in 2011, Prof. Hans Wigzell and Prof. Alexander von Gabain are each entitled to an additional remuneration of EUR 5,000. See notes to the consolidated financial statements (note 32).

Prof. Alexander von Gabain serves as strategic advisor to the Company under a consulting agreement. Apart from his and Prof. Hans Wigzell's positions on the Company's Scientific Advisory Board, there are no additional service or consulting contracts between any of the Supervisory Board members and Intercell AG or any of its subsidiaries.

STOCK OPTIONS AND DIRECTOR PARTICIPATION

The following table sets forth the number of stock options and shares privately held by the current members of our Management and Supervisory Boards as of December 31, 2011. For details on our stock option plans, see note 21 to our consolidated financial statements.

In December 2011 the members of the Management Board and Supervisory Board returned 542,000 options granted in the years 2007, 2008 and 2009 to the Company.

Members of the Management Board

Name	*Number of shares held*	*Number of options held*	*Total*
Thomas Lingelbach	11,000	250,000	261,000
DDr. Reinhard Kandera	25,000	250,000	275,000
Mustapha Leavenworth Bakali	-	260,000	260,000

Members of the Supervisory Board

Name	*Number of shares held*	*Number of options held*	*Total*
Michel Gréco	1,496	20,000	21,496
Prof. Ernst Günter Afting	13,675	20,000	33,675
James Sulat	30,000	20,000	50,000
Prof. Hans Wigzell	-	20,000	20,000
Prof. Thomas Szucs	-	10,000	10,000
Prof. Alexander von Gabain	67,842	10,000	77,842

Chapter 01 Corporate Governance Report

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 world's less developed countries. In addition, the AERAS Global Tuberculosis Vaccine Foundation supports the Tuberculosis vaccine program on which Intercell collaborates with the Statens Serum Institut (SSI) and Sanofi.

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.

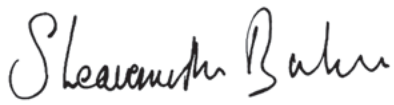
In order to be recognized as an innovative and trustworthy company, Intercell fosters a culture where associates are expected to behave ethically and lawfully. Intercell's core corporate values can be characterized by goal orientation at all levels of the Company, trust in our management and in each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

Vienna, March 9, 2012

The Management Board

Thomas Lingelbach, CEO

Reinhard Kandera, CFO



Mustapha Leavenworth Bakali, CBO

intercell
SMART VACCINES

group management

Chapter

02 report

STAPH LEAVENWORTH BAKALI, CBO / *"Our focus continues to be the development of a strong pipeline. Promising vaccine candidates out of our research pipeline are progressing to the next value inflection points. And strong IXIARO®/JESPECT® sales underpin and reflect the significant potential of our first product on the market."*

PRODUCTS AND PROGRAMS

Intercell develops 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.

Next to our marketed product, a vaccine to protect against Japanese Encephalitis, we have multiple product candidates in clinical development and additional investigational vaccines 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, and adherence to the appropriate laws and regulations. The safety of our products has top priority in all our efforts.

CLINICAL TRIALS

Once a new product candidate has been identified by the R&D department and selected to be included in the Company's focused research pipeline, it is subjected to multiple steps of testing and development activities before it can potentially reach regulatory approvals and licensure. 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 clinical trials – executed in a limited trial participant population as a first trial in human subjects to test for safety and immunogenicity (property of eliciting an immune response) in healthy individuals. There can also be subsequent clinical supportive Phase I trials in the intended patient populations.

Phase II clinical trials – conducted in a limited number of subjects in the intended population to evaluate safety and immunogenicity and to determine dosage tolerance and optimal dosage levels.

Phase III clinical trials – 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.

Phase IV – these studies are conducted after market launch of the product. They aim to find out 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 and guinea pig experiments where the welfare of the animals is a top priority. All mice and guinea pigs 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 Legislation 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 only performs animal testing to the minimum extent necessary.

MARKETED PRODUCT – VACCINE AGAINST JAPANESE ENCEPHALITIS

During the last 10 years only a small number of new vaccines have been approved. One of them is Intercell's vaccine against Japanese Encephalitis (JE): IXIARO®/JESPECT®. Intercell's vaccine to prevent JE is the Company's first product on the market. This is a next-generation vaccine against the most common vaccine-preventable cause of Encephalitis in Asia licensed in more than thirty countries.

The approval of IXIARO®/JESPECT® in 2009 marks a crucial milestone in Intercell's evolution as an independent vaccine development company focused on striving towards financial sustainability.

Japanese Encephalitis

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

Vaccine for Travelers, Military and Endemic Regions

Intercell's vaccine against JE is a prophylactic vaccine. It is marketed and distributed in the U.S., the EU, Canada, Hong Kong, Japan, 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 November 2011, Intercell and its partner Biological E. Ltd. announced the approval of the vaccine, JEEV® to

[1] Source: CDC, http://www.cdc.gov

Chapter 02 *Products and Programs*

protect children and adults from JE by the Drugs Controller General of India (DCGI). The product, based on Intercell's technology, will be manufactured at Biological E.'s facility in Hyderabad, India.

Intercell is planning to file for regulatory approval in several other important markets for travel vaccines and aims to provide the vaccine in other endemic countries.

Our Product

Intercell's product is the only vaccine against JE licensed in Europe and the only available licensed vaccine in the United States. It is manufactured and supplied for use in various countries and is the only JE vaccine being produced for the U.S. military.

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, and is administered in a convenient two-dose schedule.

Please see the **Important Safety Information** and the full prescribing information about our JE vaccine at our website: http://www.intercell.com/main/forvaccperts/products/japanese-encephalitis-vaccine/.

Our JE vaccine is manufactured by Intercell AG's wholly-owned subsidiary Intercell Biomedical Ltd. at our cGMP facility in Livingston, Scotland.

Distribution Partners

Novartis — Novartis serves the travelers' markets in North America, Europe as well as certain other markets in Latin America and Asia

CSL Ltd. — CSL Biotherapies markets and distributes the vaccine in Australia, New Zealand, Papua New Guinea, and the Pacific Islands

BE product, Biological E. Ltd.

Biological E. manufactures and markets the vaccine in India, Pakistan, Nepal, Bhutan

Pediatric Licensure for IXIARO®/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. The development of a vaccine to protect both adults as well as children, traveling to endemic areas, from JE has been a major goal of the Company.

Intercell has announced positive data from two clinical Phase III studies supporting pediatric label extension of IXIARO®/JESPECT® for children traveling to endemic areas. Based on these data, Intercell will submit applications for the approval of an IXIARO®/JESPECT® pediatric label extension to major regulatory agencies in Q2 2012.

French Prix Galien 2011

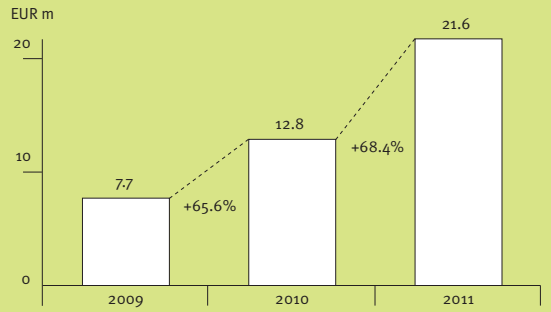
In 2011, the French Prix Galien was awarded to IXIARO® in the category "Medicines available solely in international vaccination centers".

Growing Yearly Sales

In 2011, two years after its global launch, the JE vaccine reached its best annual sales since market introduction. The total net product sales in 2011 amounted to EUR 21.6m. This significant increase of 68.4% compared to 2010 reflects the effort by Intercell and its partners to maximize the potential of the product in the key market segments.

Leveraging the product into the Asian endemic markets – starting with the recent approval of JEEV® – and the upcoming pediatric licensure, will complement the global territory expansion. Increased manufacturing efficiency and capacity utilization are expected to contribute to margin improvement in 2012.

DEVELOPMENT OF NET PRODUCT SALES REVENUES TO INTERCELL



Customer Health & Safety and Product Responsibility

Intercell takes the health of its customers very seriously and hence, places safety and product responsibility as the priority. The safety of those who use our product is the most important aspect of our work.

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. However, these efforts do not end at product approval. Intercell has a routine comprehensive pharmacovigilance program in place, which is designed to quickly identify, address, and communicate new adverse events to regulatory agencies, healthcare professionals and patients.

Furthermore, 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.

In addition, a Product Safety Committee regularly reviews the safety profile of our first product on the market. If deemed necessary, the Committee recommends escalation of safety issues to the Product Safety Review Board.

The results of our trials are published in scientific papers. In 2011, three full scientific papers on different aspects of IXIARO® were published.

To date, Intercell has successfully passed all inspections by regulatory authorities. In 2011, we successfully managed our first serious regulatory challenge with respect to IXIARO® through careful scientific examination of the relevant issues and by closely following all relevant regulations and guidance when developing and distributing vaccines.

PRODUCTS IN CLINICAL DEVELOPMENT

Core R&D Programs

In 2011, Intercell focused its clinical stage pipeline on the most promising product candidates. The Company's next generation of product candidates includes the vaccine candidates against Pseudomonas (Phase II/III with Novartis) and C. difficile (Phase I) as well as the Pandemic Flu vaccine patch system (Phase I with GSK vaccine). This portfolio has been designed to balance risks and benefits as the vaccine candidates progress toward the next value inflection points. Other clinical stage programs such as the Pneumococcus vaccine candidate have been put on hold.

In June 2011, following an unanimous recommendation from the external Data Monitoring Committee (DMC), Merck & Co., Inc. and Intercell announced the termination of the Phase II/III clinical trial evaluating V710, an investigational vaccine for the prevention of Staphylococcus aureus (S. aureus) infections. However, as the trial met the pre-specified criteria for non-futility, Intercell received the related milestone payment from Merck.

In-house Executed Programs

Product candidate	*Type*	*Status*	*Expected key event*	*Partner*
Japanese Encephalitis	Traveler's vaccine – prophylactic	Phase III	Pediatric licensure	Marketing & distribution partners (Novartis, CSL, Biological E.)
Pseudomonas aeruginosa	Nosocomial vaccine – prophylactic or therapeutic	Phase II/III	Interim data of pivotal efficacy trial 2013	In-house development; co-financing with Novartis; Novartis option
Clostridium difficile	Nosocomial vaccine – prophylactic	Phase I	Phase I final data 2013	In-house development; Novartis option
Pandemic Flu	Pandemic/external adjuvantation – prophylactic	Phase I	Phase I data 2012	In-house development; GSK antigen supply; commercial partner to be defined

Partner Executed Programs

Product candidate	*Type*	*Status*	*Expected key event*	*Partner*
Tuberculosis (IC31®)	Prophylactic vaccine/ adjuvants	Phase II	Additional Phase II studies	AERAS, SSI, Sanofi
Hepatitis C	Therapeutic vaccine/ combination treatment	Phase II	No timely start	Trial start expected in 2011 did not occur. Partnering options being pursued.
IC31® adjuvant in different products*	Prophylactic vaccine/ adjuvants	Phase I	Phase I data 2012	Novartis

*Flu and undisclosed bacterial target

Chapter 02 Products and Programs

Japanese Encephalitis Pediatric Vaccine
Intercell has announced positive data from two clinical Phase III studies supporting pediatric label extension of IXIARO®/JESPECT® for children traveling to endemic areas. A pivotal Phase III trial in 1,869 children conducted in the Philippines was successful and favorable interim data from a second Phase III trial in EU, U.S., and Australia were obtained.

Analysis of both studies showed that the vaccine was well tolerated and immunogenic in children aged 2 months to <18 years. In both studies, more than 99% of children who received the appropriate dose of IXIARO®/JESPECT® achieved neutralizing antibody titers above the WHO-recognized protective titer. Based on these data, Intercell expects to submit applications for the approval of an IXIARO®/JESPECT® pediatric label extension to major regulatory agencies in Q2 2012.

Pseudomonas aeruginosa Vaccine
Pseudomonas aeruginosa is one of the leading causes of hospital-acquired (nosocomial) infections. Of the 2 million nosocomial infections in the U.S. per year, 10% are caused by Pseudomonas aeruginosa. The bacterium is the number one cause of ventilator-associated pneumonia, the number two cause of hospital-acquired pneumonia and the number four cause of surgical site infections. Currently no vaccine against Pseudomonas aeruginosa is available.

In April 2011, Intercell agreed with Novartis to advance Intercell's investigational Pseudomonas aeruginosa vaccine into a confirmatory clinical efficacy trial in ventilated ICU (Intensive Care Unit) patients. The planned double-blind study is powered to show a clinically meaningful and statistically significant reduction in overall mortality between the vaccine and the control group and envisages enrolling approximately 800 intensive care unit patients.

In October 2011, Intercell announced that it has received positive scientific advice from the European Medicines Agency (EMA) regarding the planned Phase II/III efficacy trial of its investigational Pseudomonas aeruginosa vaccine. The Company obtained confirmation for the proposed key elements of the study design, i.e. size, population, and primary endpoint. The trial follows a Phase II study in which a lower mortality rate was observed in the vaccine groups as compared to the control group. Based on this positive feedback Intercell intends to initiate the confirmatory efficacy study in March 2012. Intercell will execute the trial and the costs will be shared with Novartis. First interim data are expected by mid 2013.

Intercell's investigational vaccine is a recombinant subunit vaccine consisting of two outer membrane proteins of Pseudomonas aeruginosa (OprF and OprI). These outer membrane proteins have been shown to be disease relevant targets in numerous pre-clinical and several early clinical trials.

Intercell's Pseudomonas aeruginosa vaccine program is one of the development programs under the strategic alliance between Intercell and Novartis. A decision on the program's next steps will be based upon data from the planned efficacy trial, taking into consideration the Novartis option rights and the Intercell right to choose between profit-sharing or to receive milestones payments and royalties.

Clostridium difficile Vaccine
Clostridium difficile (C. difficile) is the leading cause for nosocomial Diarrhea in Europe and the U.S. It is estimated that annually about 500,000 to 3 million people become infected while receiving hospital treatment in the U.S. Currently, no vaccine against C. difficile exists and antibiotic treatment of the established disease has significant limitations. Intercell aims to develop 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.

After successful pre-clinical trials, Intercell brought its C. difficile vaccine candidate into a Phase I clinical trial at the end of 2010.

In October 2011, Intercell announced first data from a Phase I clinical trial with the Company's vaccine candidate IC84 to prevent disease caused by the bacterium C. difficile. First data from the Phase I study (Phase Ia) in a population of healthy adults aged 18-65 years showed good safety and immunogenicity of the vaccine candidate, and indicated functionality of induced antibodies in this study population. This supported the decision to carry forward the vaccine candidate to a second part of the study for safety and dose-confirmation in the elderly.

In March 2012, Intercell announced the start of the second half of a Phase I clinical trial (Phase Ib), which will enroll 80 healthy elderly subjects above 65 years of age, as this age group represents the main target population for a C. difficile vaccine. Results are expected in Q2 2013.

Intercell's vaccine candidate is a recombinant protein vaccine consisting of two truncated toxins A and B from C. difficile. The toxins are known to be disease-causing and anti-toxin immunity can be protective.

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.[2]

In May 2011, Intercell started a Pandemic Influenza trial, investigating Intercell's adjuvant patch (Vaccine Enhancement Patch - VEP) containing LT (a heat-labile toxin from E. coli) in combination with GSK's H5N1 pandemic antigen. This trial follows prior work with a non-GSK Pandemic Influenza antigen carried out by Intercell under its contract with the U.S. Department of Health and Human Services (HHS, Contract nº HHSO100200700031C) to develop a dose-sparing approach with potential for a single dose immunization.

The confirmatory trial is carried out under a Phase I protocol due to the introduction of a different H5N1 antigen. The study involves 300 healthy adults and investigates various combinations of antigen and patch doses in one and two injection regimes to confirm mode of action and the value of external adjuvantation. GSK's adjuvanted and licensed H5N1 vaccine is used to provide a positive control for the patch and GSK's well established and validated H5N1 hemagglutination inhibition (HI) assay is applied. The enrollment for the confirmatory Phase I trial is completed, and a first safety analysis has been carried out. Final data are expected by mid 2012.

IC31® Tuberculosis Vaccine

Tuberculosis (TB) is caused by Mycobacterium tuberculosis, the most common cause, and Mycobacterium bovis. Globally, according to the WHO, one human is newly infected with the pathogen every second, about one-third of the world's population carries the pathogen 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.

In January 2012, Intercell and the Statens Serum Institut (SSI) announced the start of the first Phase II study within their collaboration to develop vaccines against TB. The randomized, double-blind clinical trial evaluating the immunogenicity and safety of two doses of an adjuvanted TB subunit vaccine candidate in HIV-positive individuals, will be conducted in South Africa and Tanzania. First results are expected in 2013. A second Phase II clinical study is being planned to assess the safety and immunogenicity of the vaccine candidate in healthy adolescents and is expected to be initiated later in 2012.

Previous Phase I clinical trials in Europe and Africa have demonstrated that SSI and Intercell's collaborative novel investigational TB vaccine is safe and very immunogenic in different populations. The new H1IC vaccine candidate from SSI is a recombinant subunit vaccine based on two important TB antigens resulting from SSI's research pipeline combined with Intercell's proprietary adjuvant IC31® and ultimately targeted towards adults and adolescents.

The collaboration between SSI and Intercell in the field of Tuberculosis currently includes three clinical vaccine candidates, all formulated with Intercell's IC31® adjuvant: H1IC in Phase II, H4IC, currently in Phase I (partnered with Sanofi and AERAS, "AERAS 404"), and H56IC, currently in a Bill and Melinda Gates Foundation-funded Phase I in partnership with AERAS and the South African Tuberculosis Vaccine Initiative.

IC31® Adjuvant in different Products

Under a strategic alliance agreement signed in 2007, Novartis received a non-exclusive license for the use of IC31® in selected new vaccines. Following successful investigation of IC31® in Influenza vaccines, Novartis has initiated a Phase I clinical trial, combining an additional, major but undisclosed vaccine candidate with the IC31® adjuvant in 2011.

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 3-4 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.

Intercell successfully progressed a therapeutic vaccine candidate up to Phase II. Given the further evolution and progression of modern drugs and therapies against Hepatitis C, Intercell and Romark had planned to investigate a combination of vaccine and antiviral. In the absence of timely receipt of regulatory clearance for study initiation by Intercell's partner Romark, the planned clinical trial to investigate a combination therapy of a vaccine and an antiviral drug against Hepatitis C will not proceed. The program has thus been removed from Intercell's clinical pipeline and the Company confirms its strategic decision to not further invest into the vaccine candidate. However, it will continue to evaluate the possibility of partnering its therapeutic vaccine approach in the rapidly changing field of Hepatitis C therapies.

Staphylococcus aureus Vaccine

In June 2011, following an unanimous recommendation from the external DMC, Merck & Co., Inc. and Intercell had to announce the termination of the Phase II/III clinical trial evaluating V710, an investigational vaccine for the prevention of Staphylococcus aureus (S. aureus) infections. However, as the trial met the pre-specified criteria for non-futility, Intercell received the related milestone payment from Merck.

[2] Source: WHO

Chapter 02 *Products and Programs*

Chapter 02 Products and Programs

PRODUCTS IN PRE-CLINICAL STAGES

By continuous discovery work in our research organization with a flexible, entrepreneurial spirit of a biotech organization, our scientists focus on novel indications addressing important medical needs. Based on this work Intercell is progressing interesting and promising pre-clinical product candidates for potential development entry evaluation.

In this section we provide an overview on our pre-clinical development candidates, which includes a number of therapeutic antibody programs from our in-house identification capabilities:

Vaccines in Pre-clinical Stages

Product Candidate	*Vaccine Type*	*Status/ Phase*	*Expected Milestones*	*Partner/Collaborator*
Group A streptococcus vaccine	Prophylactic	Pre-clinical	Clinical entry	In-house, commercial partner tbd
Lyme borreliosis (Lyme disease) vaccine	Prophylactic	Pre-clinical	Clinical entry	In-house, Novartis option

Antibodies in Pre-clinical Stages

Product Candidate	*Antibody Type*	*Status/ Phase*	*Expected Milestones*	*Partner/Collaborator*
Group B streptococcus antibodies	Prophylactic (in premature newborns)	Pre-clinical	Pre-clinical proof-of-concept	In-house, commercial partner tbd
Influenza antibodies	Prophylactic and/or therapeutic	Pre-clinical	Clinical entry	In-house, commercial partner tbd
Human cytomegalovirus (hCMV)	Prophylactic or therapeutic	Pre-clinical	Pre-clinical proof-of-concept	In-house, commercial partner tbd

TECHNOLOGY PLATFORMS

Intercell's technology platforms complement its strong product pipeline. The strengths of the Company's technologies are 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 are 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 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-typeable Haemophilus influenzae, and Moraxella catarrhalis.

The AIP®-technology has resulted in promising in-house product candidates and generated strategic partnerships, including partnerships with Novartis, Merck & Co., Inc. and Sanofi.

MONOCLONAL ANTIBODY DISCOVERY – eMAB®

In its effort to combat infectious diseases, Intercell is not only developing vaccines for active immunization, but also antibodies, which are therapeutically active proteins for directly eliminating pathogens from the human body.

Intercell's fully human monoclonal antibody discovery platform eMAB® (endogenous monoclonal antibodies) is based on selection of human B-cells expressing antibodies binding to the antigen of interest. Intercell's platform eMAB® delivers entirely human, non-immunogenic antibodies which blend in well with the human immune system. These mAbs often also show very high affinity to the antigen thus making further in vitro affinity maturation unnecessary.

Intercell's unpartnered monoclonal antibody assets include several pre-clinical anti-infective antibody candidates with the lead candidate directed against Influenza M2. eMAB® has been successfully used to isolate human mAbs against numerous antigens, including nicotine, various cytokines and antigens derived from different bacterial and viral pathogens.

In its future antibody discovery activities Intercell will further build on the validation of the eMAB® technology resulting from the data generated for the Influenza M2 candidate by itself or together with a partner. Intercell will focus on generating novel human antibody candidates to treat infectious diseases. Furthermore it will explore additional disease areas outside of infectious diseases such as Immunology, Inflammation and Cancer.

INTERCELL'S ADJUVANT IC31®

The unmet need in population groups which do not respond sufficiently to conventional vaccines due to an impaired immune response (e.g. the elderly) and the difficulties in eliciting meaningful responses to novel prophylactic and therapeutic vaccines for indications such as Malaria, Tuberculosis and Cancer increase the need for novel adjuvants such as IC31®.

Different pre-clinical models showed that IC31® stimulates strong T-cell and B-cell immune responses as well as protective efficacy. Eight clinical trials have proven IC31® to be a very safe and immunogenic adjuvant. Patients receiving IC31® have reported good local tolerance with no systemic adverse effects reported during clinical studies. IC31® is currently used in conjunction with several vaccines being co-developed with partners in pre-clinical and clinical programs.

In 2011, several early research projects were initiated with partners to test IC31® with new indications such as HSV (Herpes Simplex Virus), Cancer and Chlamydia. Ongoing clinical programs with established partners like Novartis and the Statens Serum Institut, SSI (Tuberculosis) are progressing very well – SSI and Intercell recently announced the successful start of their first Phase II study to fight Tuberculosis.

LT – LABILE TOXIN OF ETEC

Intercell has also been utilizing the adjuvantal effect of the

Chapter 02 *Technology Platforms*

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.

VACCINE PATCH TECHNOLOGY

Intercell's Vaccine Patch is a new and needle-free delivery technology that may make vaccines easier to administer, faster to deliver, and may result in lower or fewer doses. This technology 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 and could make vaccination more efficient. In contrast to intramuscular injection, this technology enables antigen delivery directly through the skin.

The patch technology can be used to:

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

In several 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.

In May 2011, Intercell started a further trial in the field of Pandemic Influenza, investigating Intercell's adjuvant patch (Vaccine Enhancement Patch - VEP) containing LT in combination with GSK's H5N1 Pandemic antigen. This trial follows prior work with a non-GSK Pandemic Influenza antigen carried out by Intercell under its contract with the U.S. Department of Health and Human Services (HHS) to develop a dose-sparing approach with potential for a single-dose immunization.

Following the discontinuation of the Travelers' Diarrhea (TD) patch vaccine program as announced at the end of 2010, Intercell and GSK mutually terminated the respective marketing and distribution collaboration and all rights on the TD patch vaccine reverted to Intercell. Based on the clinical efficacy data obtained against LT-positive enterotoxigenic E. coli (ETEC) the Company will continue to evaluate the potential of the vaccine candidate especially for endemic countries.

PARTNERSHIPS, COLLABORATIONS AND STAKEHOLDERS

PARTNERSHIPS AND COLLABORATIONS

In research and biotechnology, collaboration is key to success. Intercell has a demonstrated track record in executing a wide range of partnerships, and remains interested in creating and maintaining effective partnerships. The Company is regularly in discussions with its current partners, and the management of other companies in the biotech and healthcare, and other related life science sectors. International congresses and conferences offer opportunities to initiate and strengthen our relationships with the biotech community and allow the monitoring of latest development in our industry.

Some of these discussions help to explore new opportunities to enhance the current business, enter into new collaborations, acquire complementary technologies, or engage in promising new business areas.

Strategic focus is placed upon maximizing the value from partnered development programs under the existing alliance agreements and on creating new partnerships from unpartnered programs or technologies, and monetizing unexplored Company assets.

Following the discontinuation of the Travelers' Diarrhea (TD) patch vaccine program as announced at the end of 2010, Intercell and GSK mutually terminated the respective marketing and distribution collaboration and all rights on the TD patch vaccine reverted to Intercell. Based on the clinical efficacy data obtained against LT-positive enterotoxigenic E. coli (ETEC), the Company will continue to evaluate the potential of the vaccine candidate especially for endemic countries.

Intercell's Pseudomonas aeruginosa vaccine program is one of the development programs under the strategic alliance between Intercell and Novartis. Intercell has agreed with Novartis to advance Intercell's investigational Pseudomonas aeruginosa vaccine into a confirmatory clinical efficacy trial in ventilated ICU (Intensive Care Unit) patients. Decisions on the program's next steps will be based upon data from the planned efficacy trial, taking into consideration the Novartis option rights and the Intercell right to choose between profit-sharing or receiving milestone payments and royalties.

In June 2011, Intercell received a milestone payment (USD 6m) for the terminated S. aureus trial (V710) from Merck & Co., Inc., as the trial met the pre-specified criteria for non-futility.

One of the earliest partnerships of Intercell is the cooperation with Biological E. Ltd, agreed in 2005 for the development, manufacturing, marketing, and distribution of Intercell's Japanese Encephalitis (JE) vaccine in India and the Indian subcontinent. In September 2011, the successful completion of an investigational JE vaccine pivotal Phase II/III study in India was confirmed. In November, approval for the JE vaccine in India was announced. With this achievement, Intercell, together with its partner, reached an important milestone towards the introduction of Intercell's modern, cell culture-derived technology based vaccine in endemic countries.

Collaborations 2011

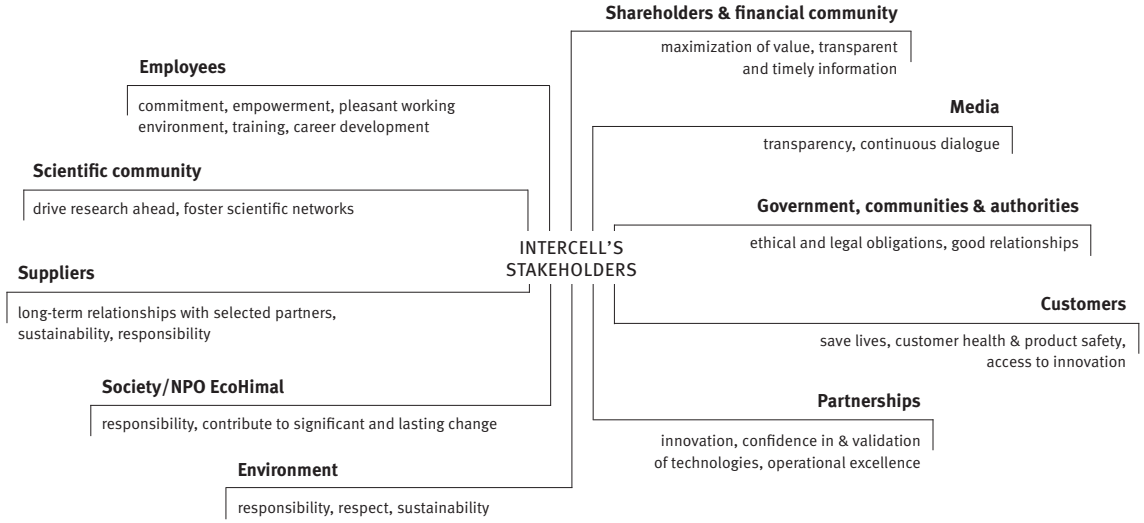
Indication	*Partner*
Japanese Encephalitis (JE) vaccine	Novartis / CSL Ltd. / Biological E. Ltd.
Pseudomonas aeruginosa	Novartis
IC31® Seasonal Influenza vaccine	Novartis
Pandemic Influenza Vaccine Enhancement Patch	GlaxoSmithKline / HHS*
IC31® Tuberculosis vaccine	Statens Serum Institut / Sanofi / AERAS
IC31® + undisclosed indication	Novartis
Pneumococcus vaccine	PATH / Novartis
Clostridium difficile	Novartis option
Staphylococcus aureus antibodies	Merck & Co., Inc.
Pneumococcus antibodies	Kirin
Borrelia	Novartis option
Antigens for animal vaccines (undisclosed indications)	Boehringer Ingelheim Vetmedica
Patch technology (undisclosed indications)	GlaxoSmithKline
Group B Streptococcus vaccine	Novartis
Staphylococcus aureus vaccine	Merck & Co., Inc.
Hepatitis C vaccine	Romark**

* Contract n° HHSO100200700031C; ** discontinued

Chapter 02 *Partnerships, Collaborations and Stakeholders*

Chapter 02 Partnerships, Collaborations and Stakeholders

INTERCELL'S STAKEHOLDERS – THE CENTER OF ATTENTION



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 the common mission to develop new vaccines and antibodies.

Our vision is to serve the medical community's needs and to ensure significant returns for our stakeholders in a continued pursuit of excellent scientific results in the fight against infectious diseases. We endeavor to motivate all our employees to contribute to the common goals set forth by Intercell.

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.

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

Our commitment to human rights is part of our Corporate Social Responsibility (CSR) strategy and is reflected in our policies and actions toward our employees, suppliers, customers, and 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, forced labor 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.

LOCATIONS

Intercell is an international company which, as of December 2011, had a workforce of 280 colleagues from more than 15 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, a sales & marketing force in Gaithersburg, MD, U.S., and a research team focusing on monoclonal antibody discovery in Schlieren, Switzerland. In 2011, the Company reduced its workforce by approximately one third as part of its response to setbacks in late-stage programs.

INTERCELL AG – INTERCELL HEADQUARTERS

Intercell was founded in 1997 as a spin-off from the University of Vienna. Intercell's headquarters are located at the Campus Vienna Biocenter, a melting pot of biotechnology and life sciences in Vienna. The headquarter facilities accommodate 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 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.

In order to further improve operational and cost-effectiveness, Intercell plans to fully license its Quality Control Operations at the Vienna site for assays used to test and release IXIARO®/JESPECT®. As an important step to achieve this goal, Intercell successfully passed a pre-approval inspection by the U.S. Food and Drug Administration (FDA) in 2011.

The laboratories in Schlieren, Switzerland, are a branch establishment of Intercell AG. The expert team is focusing on research in connection with the platform technology for monoclonal antibody discovery.

INTERCELL BIOMEDICAL LTD.

The manufacturing plant in Livingston is dedicated to the production of IXIARO® and JESPECT®, the Company's novel Japanese Encephalitis vaccine. 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).

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 able to produce in excess of 1 million doses per year. The Livingston facility, which has seen its workforce grow to approximately 100, also has separate product development and clinical manufacturing capabilities.

Vaccine manufacturing is considered the most challenging and demanding process from a control and quality by design point of view across the pharmaceutical manufacturing environment. The Livingston manufacturing site operates under a Manufacturers' License granted by the Medicines and Healthcare products Regulatory Agency (MHRA). MHRA (2007, 2009 and 2011), U.S. Food and Drug Administration (FDA/CBER; 2008 and 2010), and Health Canada (2009) have conducted inspections and, to date, have confirmed that the site operates to the required level of cGMP compliance since commercial launch. Additional routine GMP audits by key commercial partners (Novartis and CSL) have also been successfully completed.

INTERCELL USA, INC.

Intercell's U.S.-site was consolidated as the sales & marketing office in 2011, primarily focusing on IXIARO®/JESPECT® U.S. military, U.S. private and international sales through distribution partners and related G&A activities. The patch R&D activities have been successfully transferred to Intercell AG Vienna. Intercell transitioned the residual R&D facility leases and sold certain unused equipment; as of 2012, any remaining R&D costs from the U.S. operation are eliminated.

Chapter 02 *Locations*

Chapter 02 Social Responsibility at Intercell

SOCIAL RESPONSIBILITY AT INTERCELL

CORPORATE SOCIAL RESPONSIBILITY (CSR) 2011 – HIGHLIGHTS

- Intercell is dedicated to its CSR strategy and made progress in achieving its CSR goals.
- Intercell's Annual Report 2010 was reported according to GRI guidelines and the report corresponded to the requirement Level B. Furthermore, Intercell successfully participated in the program ÖkoBusinessPlan for sustainable development – a program administrated by the City of Vienna.
- Intercell supports the non-profit organization EcoHimal in its efforts to establish a healthcare system in Nepal. EcoHimal presented an update and their latest achievements at the Intercell headquarters in December 2011.
- Intercell and its partner Biological E. Ltd. announced the approval of their vaccine to protect children and adults from JE in India. This is a major step in expanding the global reach of this product and to make it available in endemic areas.
- Intercell and Statens Serum Institut progressed the vaccine clinical development to fight Tuberculosis.
- Intercell is listed on Vönix – the Austrian Sustainability Index. Vönix is a stock index including publicly traded Austrian companies that demonstrate leadership in the areas of social and ecological performance.
- Intercell is committed to its employees, maintaining respectful interaction during challenging times.
- Further progress in the area of environment protection was made.

COMMITMENT TO OUR PEOPLE

Human Resources

Intercell is committed to its employees and acknowledges them as the most important factor for the Company's success. In 2011, Intercell has further developed, strengthened and implemented measures, which enable its employees to attain both their personal and professional goals, and those of the Company.

Intercell's commitment to people starts by creating a lively, open and friendly working environment including a transparent and fair compensation plan. In addition, the Company empowers all employees to achieve their personal and respective professional goals and ensures that employees are well trained in having the right skills and knowledge to fulfill their responsibilities. Intercell encourages further education, offers healthcare service, equal opportunities and a working environment based on mutual trust and freedom.

Performance Management & Career Development

Amongst others, one of Intercell's most valuable business assets is its Performance Management and Development process. This process provides a common vision for all, and every individual plays a key role towards achieving the Company's and individual goals. Twice a year, supervisors and employees discuss progress regarding the agreed goals and feedback discussions are held regularly. Intercell also emphasizes on Talent Management, meaning that employees are gradually trained for further responsibilities. Performance Management at Intercell is a main factor in acknowledging the outstanding work of our team and indicates the high motivation and dedication of our employees.

"Learning by doing" on the job is another key factor in our organization. At the beginning of each year, Intercell encourages employees to attend selected external training courses and conferences. Our employees also receive on the job training that enhances their knowledge and/or development. Intercell also supports employees by granting leave for further education and cross-site, in-house training so that best practices may be shared and key employees are supported in their quest for international assignments.

In 2011, Intercell faced difficult and challenging issues. The re-structuring of the organization and the inevitable cost-saving plan made reductions in personnel unavoidable. Two reorganization projects were carefully planned, communicated and executed and the employees were not only accompanied during the whole re-structuring process, but also afterwards through social plans and outplacement centers.

Employment Statistics*

	*Vienna***		*Livingston*		*Gaithersburg*		*Total*	
Male	59	37.8%	44	47.3%	19	61.3%	122	43.6%
Female	97	62.2%	49	52.7%	12	38.7%	158	56.4%
Total	**156**	100.0%	**93**	100.0%	**31**	100.0%	**280**	100.0%
Average age	36.1		39.6		46.9			
Training hours***	11.1		7.0		10.4			

* Headcounts as of December 31, 2011 ** Includes the team in Schlieren, Switzerland *** Average per employee

Employee Benefits
A wide variety of employee benefits is available to all eligible, regular full-time and part-time employees. Plans and eligibility vary considerably from country to country, as Intercell's benefit plans are designed to be built upon the social security benefits provided in each country in which we operate.

Depending upon the terms and conditions of these benefit plans and the Company's policies, eligible employees may be required to provide pecuniary contributions to some of these plans.

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 in which they are offered.

SOCIAL COMMITMENT
Intercell supports the non-profit organization EcoHimal since 2009 in their efforts to establish a healthcare system in Nepal. The program aims to raise awareness for healthcare among the people of Nepal in order to positively influence their health-seeking behavior. 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.

Health and Village Development in Eastern Nepal – An Activity and Project Update by EcoHimal
2011 was a very successful year for our health program. Great progress has been made with the different infrastructure arrangements. In order to implement a lasting improvement in the hygiene situation in the villages of Pawai and Bakachol, eight drinking water systems have been installed, and a further 16 systems – already in their final phase – are under construction. Every newly constructed water tap serves four to five households with fresh, clean water – 365 days per year, including the long months with limited rainfall.

Parallel to the infrastructure arrangements, information, advanced training and education events for the local inhabitants also took place. The villagers were instructed on competent maintenance of the new infrastructure. And the first results are visible – the washing of hands with soap or ashes is now part of everyday life and helps combat the source of many illnesses.

We can also report on substantial improvements in the area of healthcare. Both sub-health posts in Pawai and Bakachol are in excellent condition, clean and equipped with all necessary medications and further, serviced by competent and dedicated staff. The number of patients has risen by 25% over the past two years – a sign that not only the quality of performance in the area of health has risen but also that this is now available for the local population.

The various activities in the areas of farming and nutrition help to improve the daily diet of the local inhabitants and also to ameliorate the small domestic incomes. Three-quarters of the households in the villages already have their own kitchen gardens and harvest fresh vegetables, fruit, and herbs.

In 2012, emphasis will be laid on training and further education and the strengthening of the different local structures – co-operatives, women's groups, village and school administration, etc., so that in future, the people in the villages of Pawai and Bakachol will be able to govern themselves successfully and take their development into their own hands.

www.ecohimal.org

ENVIRONMENTAL COMMITMENT
Managing our Environmental Footprint
We are aware that the resources on this planet are limited. Therefore we take responsibility for our actions and intend to act wisely and to minimize all risks and damage in pursuance of our business strategy. Environmental consideration is included throughout all our decisions and daily routines. As a leading company fighting against infectious diseases in the world, we want to set an example for a responsible treatment of our environment. Environmental commitment cannot be a marketing tool any more. It is a standard for modern companies.

In the Annual Report 2010 we therefore addressed sustainability in an integrated manner, in order to make our progress more visible and to create awareness for our activities with respect to CSR. However, we did not want to write an Intercell CSR story, instead we wanted an independent institution to evaluate our activities. Therefore, we decided to report according to GRI guidelines and we are proud to have achieved the requirements of application Level B. In addition, Intercell successfully participated in the ÖkoBusinessPlan by the City of Vienna.

Within this chapter, we offer an update about this year's activities and achievements.

Chapter 02 *Social Responsibility at Intercell*

Energy

Intercell has implemented measures for environmental protection in the area of energy management to minimize energy consumption:

- Investigate energy patterns and identify main consumers
- Increase energy efficiency through thermal protection of buildings
- Implement a free cooling, heating, ventilating, and air conditioning system
- Monitor energy consumption with a building control system

Energy-saving measures were successfully implemented at all sites. As a result, the site in Vienna was able to decrease its energy from year to year. In Livingston we saw, after a considerable reduction in 2010, a rise of energy use in 2011 due to increased production. Energy consumption on our U.S. site in Gaithersburg is back on the 2009 level.

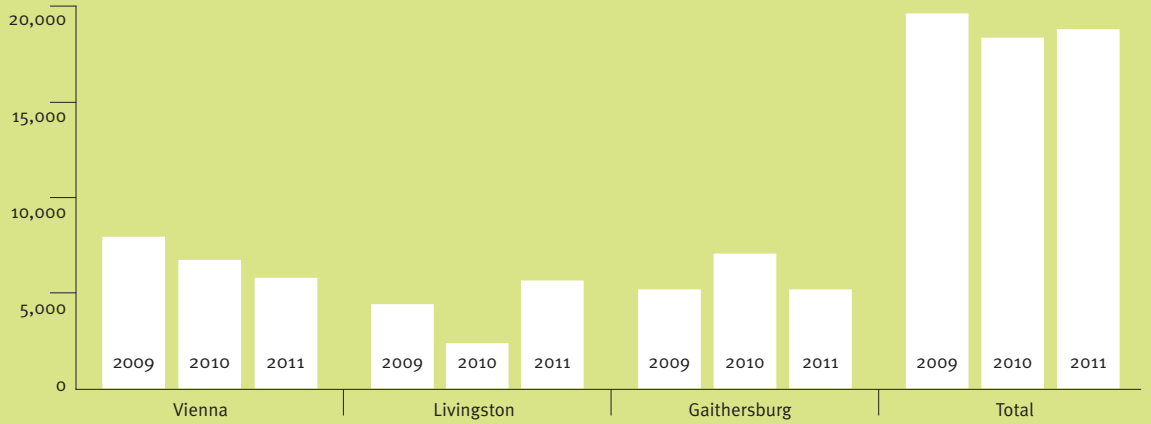
Water & Waste Management

Through an improved collection of environmental data in 2010 and forward, Intercell has created long-term goals for waste management and the reduction of water use. 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 close attention to water consumption.

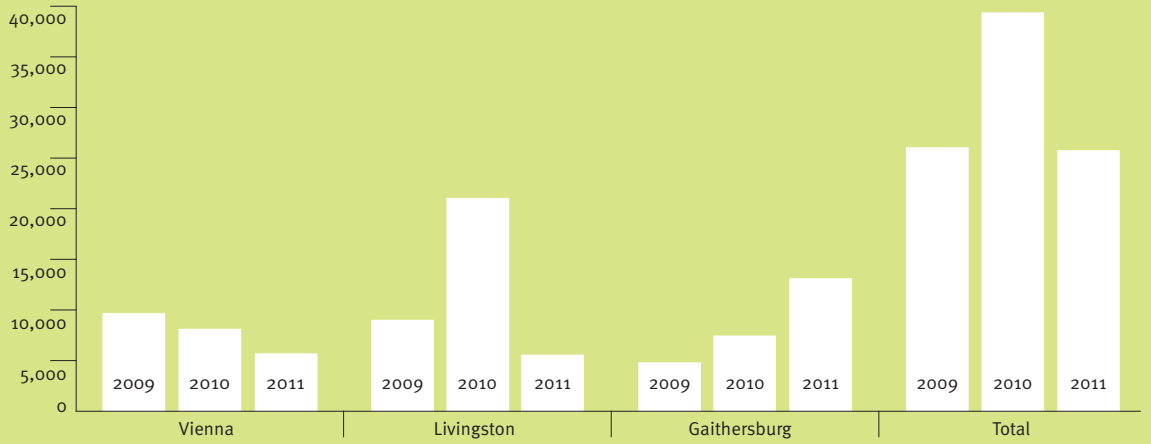
In Vienna, Intercell successfully reduced the water consumption from year to year. At the Livingston site, we also made great progress in 2011, while water consumption in Gaithersburg increased mainly because of work on the building's fire sprinkler system and the main cooling tower.

In the field of waste production we successfully decreased all types of waste. Especially paper waste was very low in 2011,

INTERCELL'S OVERALL ENERGY CONSUMPTION (IN MWH)



INTERCELL'S WATER CONSUMPTION (IN M^3)



reflecting the Company's ambitions to handle resources in a responsible way and moreover, to avoid unnecessary printing.

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.

Within the GxP project 2010 (GxP is the 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 training courses, and all processes are monitored, collected, and analyzed.

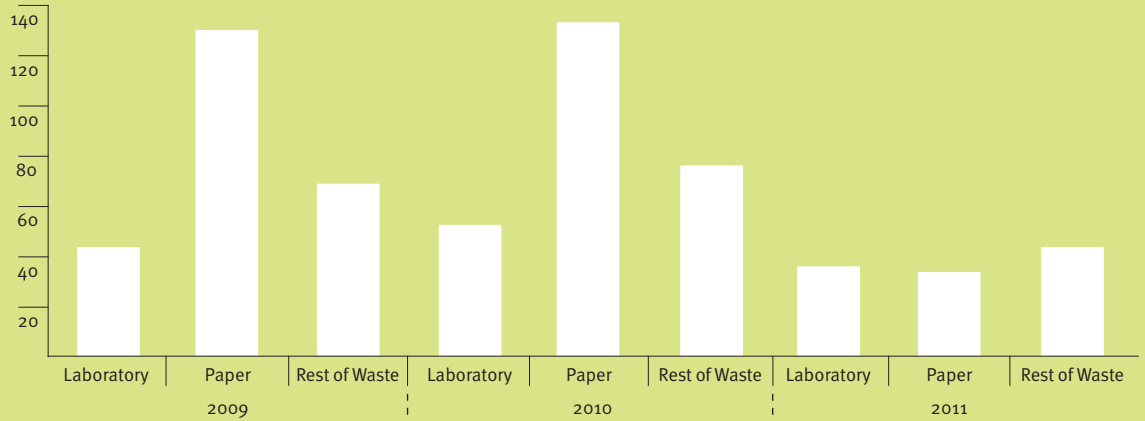
Mobility

The following measures have been implemented to further reduce Intercell's carbon and energy footprint:

- Intercell does not maintain a car pool and the use of parking facilities is not free
- Reduction of business trips between sites and documentation of CO_2 footprint
- Implementation of an internal telephone conferences system – availability of video conference equipment at every site
- Shipment consolidation and redesigned shipping containers lead to reduced freight volumes and expenses
- Encourage Intercell employees to use public transport or a bike to go to work, especially at our site in Vienna.

INTERCELL'S WASTE PRODUCTION (IN T)

Total (Vienna, Livingston, Gaithersburg)



Chapter 02 *Social Responsibility at Intercell*

FINANCIAL REVIEW 2011

REVENUES

Intercell's product sales revenues in the full year 2011 increased to EUR 21.6m (2010: EUR 12.8m), or by 68.4%. Aggregate revenues decreased by 3.9% compared to 2010 to EUR 32.9m (2010: EUR 34.2m). Revenues from collaborations and licensing decreased by EUR 7.4m to EUR 10.8m (2010: EUR 18.1m) and grant income decreased by EUR 2.7m to EUR 0.6m (2010: EUR 3.3m). The decrease in revenues from collaborations, licensing and grants was almost entirely offset by the increase in product sales by EUR 8.8m. The comparative period of 2010 included EUR 9.3m of recognition of deferred revenue in connection with Intercell's discontinued Travelers' Diarrhea patch vaccine program.

OPERATING RESULTS

Cost of goods sold for the year 2011 amounted to EUR 18.0m (2010: EUR 15.4m) yielding a positive gross margin of EUR 3.6m on the Japanese Encephalitis product.

R&D expenses for the year 2011 decreased by EUR 44.8m, or by 60.0% to EUR 29.9m (2010: EUR 74.7m). The decrease mainly resulted from the implementation of a re-structuring and cost-saving program and R&D pipeline rationalization as part of the Company's strategic renewal strategy.

General, selling and administrative expenses for the year 2011 decreased by 20.1% to EUR 15.8m (2010: EUR 19.8m) mainly due to lower consulting and service expenses and stock options expenses.

Net other operating income for the year 2011 was EUR 6.2m (2010: EUR 7.3m). The decrease mainly resulted from lower currency effects.

Re-structuring expenses of EUR 2.8m in 2011 mainly resulted from the impairment of acquired intangible assets as a result of revised management estimates on the probability of future cash flows from such assets. These impairment expenses were partly offset by lower than expected re-structuring expenses in connection with the discontinuation of the Company's TD program announced in Q4 2010.

Intercell's operating loss for the year 2011 decreased by 89.1% to EUR 27.4m (2010: EUR 251.2m) reflecting a significant reduction of operating expenses during the year 2011 and the prior-year effect of re-structuring and impairment costs in 2010.

NET RESULT, FINANCE AND TAX

The negative net finance result of EUR 1.9m in 2011 (2010: net finance income of EUR 0.7m) resulted primarily from higher interest expense in connection with the Company's convertible notes issued in Q1 2011. No income tax expense or income was reported in 2011 (2010: income tax expense of EUR 4.7m).

The net loss for the year 2011 was EUR 29.3m, which corresponds to a reduction of EUR 225.9m or 88.5% compared to the same period in 2010 (2010: EUR 255.2m). The net loss per share for the year 2011 was EUR 0.61 (2010: EUR 5.29).

CASH FLOWS

Intercell's net cash used in operating activities in the year 2011 was EUR 42.9m (2010: EUR 65.1m) of which EUR 23.5m incurred in Q1 2011. The significant reduction of operating cash out-flow from the second quarter reflects the progress in operational re-structuring and growth in product sales.

Cash generated from investing activities for the year 2011 amounted to EUR 12.1m (2010: EUR 10.6m) and resulted mainly from the sale of securities. Without giving effect to investments in and proceeds from sale of securities, net cash used in investing activities in the year 2011 was EUR 12.0m and included EUR 1.4m for purchases of property, plant and equipment, EUR 7.2m for purchases of intangible assets as well a EUR 5.0m payment for the acquisition of Cytos' platform technology for monoclonal antibody discovery, purchased in 2010.

Cash generated from financing activities in 2011 was EUR 23.5m (2010: zero) and resulted mainly from the issuance of convertible bonds in March 2011. For additional information, see "Notes to Consolidated Financial Statements" within this Report.

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.

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 though 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 increase option is a derivate financial instrument.

Liquid funds at the end of December 2011 amounted to EUR 50.9m (December 31, 2010: EUR 86.2m) and included cash of EUR 16.4m and marketable securities of EUR 34.5m.

KEY PERFORMANCE INDICATORS

The Management believes that the following financial figures are the key indicators of the Company's financial performance. However, as a biotech company with a broad innovative pipeline of product candidates and significant research and development expenses, Intercell's performance is not only linked to financial indicators, but mainly to the progress in its development programs, which, if progressing successfully, will monetize and contribute to the financial performance in future accounting periods.

KEY FINANCIAL INFORMATION

EUR in thousands	*Year ended December 31,*		
	2011	*2010*	*2009*
Revenues	32,884	34,215	61,681
Net loss	(29,265)	(255,182)	(18,375)
Net operating cash flow	(42,858)	(65,120)	(25,995)
Cash, short-term deposits, and marketable securities, end of the year	50,859	86,182	180,019

Chapter 02 Internal Controls

INTERNAL CONTROLS

REPORTING ON THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM REGARDING FINANCIAL REPORTING

The responsibility for the design and implementation 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 the oversight of 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 occur 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.

RISK FACTORS

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

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

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

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

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

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

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

The Company's ability to commercialize its product candidates or to license its technologies partially depends on the ability to obtain and maintain adequate protection of its proprietary and intellectual property rights in the U.S., the EU, and elsewhere. If the Company's efforts to protect its intellectual property rights are not sufficient, competitors may use its technologies to create competing products, erode the Company's competitive advantage, and capture all or part of its expected market share. The

Chapter **02** *Risk Factors*

Chapter 02 Risk Factors

Company's efforts to avoid infringing, or to defend itself against any claims of infringement of the intellectual property rights of third parties may be costly and, if unsuccessful, may result in limited or prohibited commercialization of its product candidates or licensing of its technologies, subject it to royalties or other fees, or force it to redesign its product candidates.

The Company may be unsuccessful in establishing additional or maintaining existing, strategic partnerships and collaborations, which could significantly limit or delay its ability to develop and commercialize discoveries and inventions and realize results from its R&D programs and technologies. The success of strategic partnerships depends, in part, on the performance of the strategic partners, over which the Company has little or no control. Partners may elect to delay or terminate one or more of these strategic partnerships, develop products independently or in collaboration with a third party that could compete with the Company's product candidates, fail to commit sufficient resources to the development or commercialization of the product candidates which are subject to these partnerships or collaborations, or otherwise fail to perform as Intercell expects. If any of these risks materialize, our revenues from up-front license payments, milestone payments, and royalties generated from our product candidates that are subject to these partnerships and collaborations may be substantially reduced, which would have a material adverse effect on our business, financial condition, and results of operations. Recently, Intercell AG filed a request for arbitration to pursue its claim against GlaxoSmithKline for a milestone payment in connection with the collaboration entered into in 2009. Currently, it is not yet possible to assess the probable outcome of the arbitration proceedings.

In 2011, the termination of the Phase II/III clinical trial evaluating our S. aureus product candidate resulted in negative headlines. Announcements regarding changes in the achievement of expected value inflection points for our existing development programs, delays in receiving regulatory approvals, obstacles hindering product commercialization or realignment of our operations could be perceived negatively by investors, consumers, or others in the market and thus damage our reputation, contribute towards a lower share price or otherwise adversely affect our business, financial condition, results of operation, and prospects.

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

Any failure to appropriately monitor and manage the Company’s development as well as any failure to successfully integrate businesses acquired in the future may have a material adverse effect on the Company's business, financial condition, and results of operations. If we undertake an acquisition, the process of integrating any newly acquired business, technology, service or product into our existing operations could be expensive and time consuming and may result in unforeseen operating difficulties and expenditures. The development and commercialization of the Company's product candidates may be delayed if Intercell is unable to recruit and retain qualified personnel or if any of the key members of the Management or scientific staff discontinues his or her employment or consulting relationship with the Company.

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

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

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

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

Further financial risk factors are discussed in detail in the notes to the consolidated financial statements.

DISCLOSURE ACCORDING TO SECTION 243a OF THE AUSTRIAN COMMERCIAL CODE

- As of December 31, 2011, 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. In February 2011, the Company issued convertible bonds by granting the creditors conversion and/or subscription rights for up to 15,000,000 new bearer shares of common stock.
- GlaxoSmithKline 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 of association 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 1,289,493 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 share capital is conditionally increased by up to 5,784,457 bearer shares insofar as the employees and members of the Management Board, who have been granted stock options, exercise their subscription rights.
- On June 10, 2011, 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 Corporation Act for a period of 30 months following the date of the previous General Meeting of Shareholders of June 25, 2010, with any such repurchase to be within the range of a minimum amount of EUR 4.00 per share and a maximum amount of EUR 30.00 per share. In the fiscal year 2011 the Management Board did not repurchase any shares under this authorization from the Shareholders' Meeting.
- The Company has certain material agreements that 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) 2011, 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 all three members of the Management Board as well as certain key employees of the Company entitling each to a one-time payment in the event of a change of control. Other than these provisions, no special compensation agreements exist between the Company and the members of its Management Board and Supervisory Board in case of change of control in the Company.

Chapter 02

Disclosure according to section 243a of the Austrian Commercial Code

Chapter 02

Operational and Strategic Outlook 2012
Events after the Balance Sheet Date

OPERATIONAL AND STRATEGIC OUTLOOK 2012

Intercell's strategy is based on the Company's broad and proven capabilities to discover, develop, manufacture and market vaccines, and on its key assets, including its know-how & technologies, its people, the industry partnering network, and its experienced Management Team.

We have reduced our cost base and balanced our risk/investment ratio in our R&D operations without jeopardizing our key R&D programs and innovative activities. In this setting we continue to strive towards financial self-sustainability and to enhance shareholder value.

INTERCELL'S BUSINESS STRATEGY

Intercell's strategy is to be a leading biotechnology company focused on biologics in the fields of anti-infective prophylactic and therapeutic treatments, achieved through the development, manufacturing and commercialization of new products which target areas of unmet clinical need. We strive for mid-term financial self-sustainability by continuation of recent cost containment and financial discipline while maintaining our commitment to investing in R&D. This strategy includes the following key elements:

- Maximize the value from our JE vaccine
- Improve the financial performance of our business by focusing development activities and optimizing the resources applied
- Continue to develop our in-house clinical product candidates through to their next value inflection points
- Fully leverage the potential of our vaccine discovery, patch, adjuvant and antibody technologies
- Leverage the value of our partnered clinical product candidates and our existing and future strategic alliances
- Expand our value proposition by participating in vaccine industry consolidation and being open to strategic opportunities

BUSINESS OUTLOOK 2012

Based on its 2011 resetting and streamlining, the Company will continue to focus on financial performance, progression of its R&D pipeline, and strategic development in order to achieve the following goals and expected milestones:

Financial Performance

- Continued JEV sales growth (+ EUR 8-10m)
- Additional revenues from existing and new collaborations
- Capital efficient, lean operations and a reduced loss of EUR 15-20m

Progression of R&D Pipeline

- Start of Phase II/III Pseudomonas trial
- IXIARO®/JESPECT® pediatric label extension and first launch of JE vaccine in endemic areas
- Execute C. difficile Phase I (Part b) trial in elderly population
- Phase I clinical trial results for Pandemic Influenza
- Focus on research and innovation, deliver next development candidate

Strategic Development

- Enter into new revenue generating technology partnerships
- Secure funding into financial self-sustainability
- Be opportunistic in exploring strategic business opportunities (e.g. M&A)

EVENTS AFTER THE BALANCE-SHEET DATE

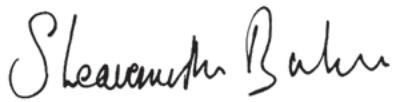
No material events have occurred after the balance sheet date that would have an impact on the asset-, financial- and earning position of the Company.

Vienna, March 9, 2012

The Management Board

Thomas Lingelbach, CEO

Reinhard Kandera, CFO



Mustapha Leavenworth Bakali, CBO

intercell
SMART VACCINES

Chapter

03

financials

REINHARD KANDERA, CFO / *"Through financial discipline, focused spending and strong JEV sales growth we reached our ambitious financial goals for the year 2011. We reduced our operating expenses while maintaining our commitment on innovation. This setting is a strong foundation for operational and strategic growth of the Company in the future."*

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 to December 31, 2011. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2011, 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, 2011, 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 system and for the preparation and fair presentation of the consolidated financial statements 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; 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 as well as in accordance 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, 2011 and of its financial performance and cash flows for the fiscal year from January 1 to December 31, 2011 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 are not misleading with respect to the Company's 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 9, 2012

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

Aslan Milla
Austrian Certified Public Accountant

The Consolidated Financial Statements of Intercell AG for the fiscal year from January 1, 2011 to December 31, 2011, 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.

Chapter **03**

Auditor's Report

Chapter **03**

Table of Contents to the Consolidated Financial Statements

I. Consolidated income statement

EUR in thousands (except per share amounts)	note	Year ended December 31, 2011	2010
Revenues		**32,884**	**34,215**
Product sales	5	21,552	12,795
Revenues from collaborations, licensing and grants	5	11,332	21,420
Cost of goods sold	**6/7**	**(17,983)**	**(15,434)**
Gross profit		**14,901**	**18,781**
Research and development expenses	6/7	(29,927)	(74,740)
General, selling and administrative expenses	6/7	(15,785)	(19,762)
Other income and expenses, net	8	6,182	7,305
Re-structuring and impairment	6/9	(2,787)	(182,787)
Operating loss		**(27,416)**	**(251,204)**
Finance income	10	2,595	1,824
Finance expenses	10	(4,488)	(1,118)
Loss before income tax		**(29,309)**	**(250,498)**
Income tax	11	44	(4,684)
Loss for the year		**(29,265)**	**(255,182)**
Losses per share for loss attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)	12	(0.61)	(5.29)

I. Consolidated statement of comprehensive income

EUR in thousands	note	Year ended December 31, 2011	2010
Loss for the year		**(29,265)**	**(255,182)**
Other comprehensive income/(loss)			
Fair value gains/(losses) on available-for-sale financial assets	16/22	1,316	(241)
Currency translation differences	22	(1,934)	10,989
Other comprehensive income/(loss) for the year, net of tax		**(618)**	**10,748**
Total comprehensive loss for the year attributable to the owners of the Company		**(29,883)**	**(244,434)**

II. Consolidated balance sheet

EUR in thousands	note	At December 31, 2011	2010
ASSETS			
Non-current assets		**118,109**	**125,873**
Property, plant and equipment	13	44,220	48,194
Intangible assets	14	62,304	61,491
Available-for-sale financial assets	16	-	4,237
Other non-current assets	18	11,481	11,478
Deferred income tax assets	11	104	473
Current assets		**73,841**	**99,347**
Inventory	17	9,737	6,423
Trade receivables and other current assets	18	13,245	10,979
Available-for-sale financial assets	16	34,486	55,024
Cash and short-term deposits	19	16,373	26,921
TOTAL ASSETS		**191,950**	**225,220**
EQUITY			
Capital and reserves attributable to the Company's equity holders		**92,328**	**121,082**
Nominal capital	20	48,592	48,592
Additional capital paid in	20	409,061	407,965
Other reserves	22	23,678	24,262
Retained earnings		(389,003)	(359,737)
LIABILITIES			
Non-current liabilities		**65,340**	**54,731**
Borrowings	26	50,105	37,461
Other long-term liabilities	24	152	312
Deferred income	25	15,083	16,549
Deferred income tax liabilities	11	-	410
Current liabilities		**34,281**	**49,407**
Trade and other payables and accruals	24	14,712	32,675
Borrowings	26	13,842	3,361
Deferred income	25	3,337	7,301
Provisions	27	2,389	6,071
TOTAL LIABILITIES		**99,621**	**104,138**
TOTAL EQUITY AND LIABILITIES		**191,950**	**225,220**

Chapter **03**

Consolidated Income Statement and Statement of Comprehensive Income
Consolidated Balance Sheet

Chapter 03

Consolidated Cash Flow Statement
Consolidated Statement of Changes in Equity

III. Consolidated cash flow statement

EUR in thousands	note	Year ended December 31, 2011	2010
Cash flows from operating activities			
Loss for the year		(29,265)	(255,182)
Depreciation and amortization	13/14	7,519	7,662
Impairment fixed assets/intangibles	13/14	4,435	176,664
Share-based payments	21	1,157	3,519
Income tax	11	(44)	4,684
Other adjustments for reconciliation to cash used in operations	28	111	(15,702)
Changes in working capital	28	(24,886)	13,820
Cash used in operations	**28**	**(40,973)**	**(64,535)**
Interest paid	10	(1,756)	(582)
Income tax paid	11	(129)	(4)
Net cash used in operating activities		**(42,858)**	**(65,120)**
Cash flows from investing activities			
Acquisition of other businesses	31	(5,000)	(10,000)
Purchases of property, plant and equipment	13/28	(1,403)	(3,888)
Proceeds from sale of property, plant and equipment	28	29	28
Cash outflow for security deposit in connection with finance lease		-	(858)
Purchases of intangible assets	14	(7,225)	(13,615)
Purchases of financial assets	16	-	(12,519)
Proceeds from sale of financial assets	16	24,116	49,616
Interest received		1,611	1,847
Net cash generated from investing activities		**12,127**	**10,610**
Cash flows from financing activities			
Proceeds from issuance of common stock, net of costs of equity transactions	20	(61)	795
Disposal of treasury shares	20	-	400
Proceeds from issuance of convertible bonds, net of transaction costs		32,417	-
Repayment of convertible bonds		(5,800)	-
Proceeds from other borrowings	26	311	689
Repayment of other borrowings	26	(3,338)	(1,900)
Net cash generated from/(used in) financing activities		**23,529**	**(16)**

EUR in thousands	note	Year ended December 31, 2011	2010
Net decrease in cash		**(7,203)**	**(54,525)**
Cash at beginning of the year		26,904	84,211
Exchange losses on cash		(3,346)	(2,782)
Cash at end of the year	**19**	**16,356**	**26,904**
Cash, short-term deposits, and marketable securities at end of year		**50,859**	**86,182**

IV. Consolidated statement of changes in equity

EUR in thousands	note	Nominal capital	Additional capital paid in	Other reserves	Retained earnings	Total equity
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**
Balance at January 1, 2011		**48,592**	**407,965**	**24,262**	**(359,737)**	**121,082**
Total comprehensive loss for the year		-	-	(618)	(29,265)	(29,883)
Employee share option plan:						
- value of employee services	20/21	-	1,157	-	-	1,157
Option premium on convertible note	22	-	-	35	-	35
Cost of equity transactions, net of tax	20	-	(61)	-	-	(61)
		-	1,096	(584)	(29,265)	(28,753)
Balance at December 31, 2011		**48,592**	**409,061**	**23,678**	**(389,003)**	**92,328**

V. Notes to the consolidated financial statements

1 GENERAL INFORMATION

Intercell AG – together with its subsidiaries – (hereafter named "Company") is a biotechnology company that develops and commercializes novel immunomodulatory biologicals to prevent disease and reduce suffering.

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

The Company's technology base includes novel platforms, such as the patch-based delivery system and the proprietary human monoclonal antibody discovery system eMAB®, in addition to well-established technologies upon which Intercell has entered into strategic partnerships with a number of leading pharmaceutical companies, including GSK, Novartis, Merck & Co., Inc. and Sanofi.

The Company's pipeline of investigational products includes a development program for the pediatric use of Intercell's JE-Vaccine IXIARO® in non-endemic markets and the development for endemic markets in collaboration with Biological E. of a comparable vaccine based on Intercell's technology. Furthermore, the portfolio comprises different product candidates in clinical trials in 2011: a Pseudomonas aeruginosa vaccine candidate (Phase II/III) partnered with Novartis, a vaccine to prevent Pandemic Influenza by combining the Company's Vaccine Enhancement Patch with an injected vaccine (Phase I), a combination treatment approach for Hepatitis C (Phase II) partnered with Romark, a vaccine candidate against infections with C. difficile (Phase I) as well as partnered vaccine programs using the Company's IC31® adjuvant, e.g. in a Tuberculosis vaccine candidate.

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, 2011*	*2010*
Intercell Biomedical, Ltd.	UK	100%	100%
Intercell USA, Inc.	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. In 2011, the commercial operations at Intercell USA, Inc. have been consolidated. The patch R&D activities have been successfully transferred to Intercell AG Vienna. Intercell transitioned the residual R&D facility leases and sold unused equipment – as of 2012, any remaining R&D costs from the U.S. operation are eliminated. The remaining workforce focuses on maximizing the value of IXIARO®/JESPECT®. 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 2011 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.

In 2011, the Company changed its accounting policy for the measurement of inventory. Previously, the costs were measured at a full cost level for each category of inventory separately.

Chapter 03

Notes to the Consolidated Financial Statements

Now, due to changes in the underlying systems and processes the Company uses standard costs to calculate inventory. Standard cost variances are allocated to the corresponding category of inventory. The Company believes that the standard cost method provides reliable and more relevant information. A retrospective analysis of the effect is impracticable due to lack of standard cost estimations for previous periods.

2.2 IMPACT OF NEW, REVISED OR AMENDED STANDARDS AND INTERPRETATIONS

a) New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2011 that would be expected to have a material impact on the Company.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2011, not endorsed by the European Union, and not early adopted

Standard/Interpretation/Amendment		*Effective Date*	*Expected Effects*
IFRS 9	Financial instruments: Classification and Measurement	Jan. 1, 2015	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale
IFRS 10	Consolidated financial statements	Jan. 1, 2013	None
IFRS 12	Disclosures of interests in other entities	Jan. 1, 2013	Full impact is yet to be assessed
IFRS 13	Fair value measurement	Jan. 1, 2013	Full impact is yet to be assessed
IAS 1	Presentation of financial statements: Amendments to revise the way other comprehensive income is presented	July 1, 2012	Full impact is yet to be assessed

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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. Other changes in the carrying amount are accounted for in other comprehensive income and are shown as other reserves.

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 and are shown as other reserves.

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 in 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. The Company does not operate any loyalty programs.

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 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 until 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 until 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 on a straight-line basis 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 on a straight-line basis over their useful lives, generally up to 20 years. As long as the useful life is indefinite, in-process research and development projects are tested annually for impairment and carried at cost less accumulated impairment losses. Furthermore, assets with an indefinite useful life and assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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. Furthermore, assets that have an indefinite useful life and 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 2.14).

Loans and receivables are carried at amortized cost using the effective interest method. Impairment testing of trade receivables is described in note 2.14.

b) Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time and 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 and are shown as other reserves.

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 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date.

2.13 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) at standard costs. The variances between the actual costs and the standard costs are calculated in every financial reporting period and are allocated to the corresponding category of inventory, so there is no difference between actual and standard costs. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions for fault products are included in the value of inventories.

2.14 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.

2.15 CASH AND SHORT-TERM DEPOSITS

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

2.16 NOMINAL CAPITAL, ADDITIONAL CAPITAL PAID IN, OTHER RESERVES AND RETAINED EARNINGS

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 canceled, 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.

The profit or loss for the year is fully included in retained earnings while other comprehensive income solely affects other reserves.

2.17 COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The fair value of the financial liability of the compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair

value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Borrowings are subsequently stated at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequently to initial recognition except on conversion or expiry.

2.18 TRADE PAYABLES

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

2.19 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.

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.20 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.

2.21 EMPLOYEE BENEFITS

a) Share-based payments

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. Annually, 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 remeasured 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.

2.22 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.

Re-structurings

A re-structuring provision is recognized when the Company has developed a detailed formal plan for the re-structuring and has raised a valid expectation in those affected that it will carry out the re-structuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a re-structuring provision includes only the direct expenditures arising from the re-structuring, which are those amounts that are both necessarily entailed by the re-structuring 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, 2011 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, 2011, 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 536 thousand (2010: EUR 1,216 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 less sensitive to fluctuations in the Euro/USD exchange rate at the balance sheet date in 2011 than it was in 2010 mainly because of the decreased amount of USD-denominated cash equivalents.

At December 31, 2011, 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 66 thousand higher (2010: EUR 260 thousand). Income was less sensitive to fluctuations in the Euro/GBP exchange rate at the balance sheet date in 2011 than it was in 2010 mainly because of the decreased 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, 2011, the calculated impact on other comprehensive income of a 1% shift in prices of debt securities would be EUR 341 thousand (2010: EUR 588 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 2011 and 2010, the Company's investments at variable

rate as well as the borrowings at variable rate were denominated in Euros.

The Company analyzes 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 17 thousand (2010: EUR 37 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, 2011, 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 arises 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 is exposed to liquidity risk resulting from the maturity of its financial liabilities. Furthermore, liquidity risk results from the fact that the Company's operating cash flow is subject to fluctuations during accounting periods. 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 analyzes 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.

EUR in thousands *At December 31, 2010*	*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**

EUR in thousands *At December 31, 2011*	*Less than 1 year*	*Between 1 and 3 years*	*Between 3 and 5 years*	*Over 5 years*
Borrowings (excluding finance lease liabilities)[1]	12,539	17,866	1,048	763
Finance lease liabilities	1,303	3,036	2,456	30,786
Trade and other payables	13,906	152	-	-
	27,748	**21,055**	**3,504**	**31,549**

[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 HEDGING ACTIVITIES

At the balance sheet date, the Company 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. The Company actively manages its funds to primarily ensure liquidity and principal preservation while seeking to maximize returns. The Company's cash and short-term investments are located at several different banks and financial investments are made in liquid, highly diversified investment instruments in balanced risk categories. 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 with lower cash flows from product sales than R&D expenses, the Company principally relies on equity financing. Capital consists of "equity" as shown in the consolidated balance sheet.

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. Fair value losses, currently recorded in other comprehensive income, attributable to a euro-denominated fund with its principal investments in asset-backed securities are EUR 2,383 thousand. 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 and development projects) on acquisitions of companies, which amounted to EUR 36,696 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 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 adequate 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 in the corresponding subsidiaries.

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 in further markets (countries and to protect children). Therefore, development costs for this product are capitalized and amortized over the useful life.

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	*2011*	*2010*
Austria	943	1,300
Europe – without Austria	12,587	24,086
North America	15,794	7,595
Other	3,562	1,234
Revenues	**32,884**	**34,215**

Non-current assets per geographical segment

	At December 31,	
EUR in thousands	*2011*	*2010*
Austria	90,879	91,890
Europe – without Austria	11,391	11,642
North America	4,253	6,153
Non-current assets	**106,524**	**109,685**

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 4,817 thousand (2010: EUR 6,747 thousand) and EUR 4,523 thousand (2010: EUR 10,514 thousand) respectively. Product sales to the largest distribution partner amounted to EUR 10,915 thousand (2010: EUR 9,094 thousand).

6 EXPENSES BY NATURE

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

	Year ended December 31,			
		2011		*2010*
EUR in thousands	*Thereof re-structuring and impairment*	*Total*	*Thereof re-structuring and impairment*	*Total*
Consulting and other purchased services	*(2,562)*	20,008	*3,468*	67,195
Employee benefit expense (note 7)	*915*	27,528	*2,656*	39,654
Depreciation, amortization and write-off	*4,435*	11,954	*176,664*	184,326
Building and energy costs	-	4,968	-	5,758
Raw materials and consumables used	-	2,161	-	5,052
Supply, office and IT-costs	-	1,689	-	1,842
Travel and transportation costs	-	1,288	-	1,830
Advertising costs	-	229	-	193
License fees and royalties	-	2,502	-	1,836
Other expenses	-	191	-	315
Less: amounts capitalized as development costs and inventory	-	(6,034)	-	(15,276)
Cost of goods sold, research and development expenses, general, selling, and administrative expenses, and re-structuring and impairment	***2,787***	**66,483**	***182,787***	**292,724**

According to Sec. 245a of the Austrian Code of Commerce (UGB) in accordance with Sec. 266 no 11 of the Austrian Code of Commerce (UGB) the Company has to disclose the expenses for the statutory auditor. In 2011, these expenses amounted to EUR 204 thousand (2010:

EUR 237 thousand) and the details of the expenses are as follows:

EUR in thousands	Year ended December 31, 2011	2010
Audit of consolidated and individual financial statements	75	75
Other assurance services	115	162
Other services	14	-
Expenses for auditors	**204**	**237**

7 EMPLOYEE BENEFIT EXPENSE

Employee benefit expenses include the following:

EUR in thousands	Year ended December 31, 2011	2010
Salaries	21,319	29,661
Social security contributions	3,928	4,959
Training and education	420	612
Share options granted to management and employees	1,157	3,519
Other employee benefits	705	903
Employee benefit expense	**27,528**	**39,654**

During the year 2011, an average of 335 white-collar workers and 8 blue-collar workers were employed (2010: 400 white-collar and 8 blue-collar workers).

8 OTHER INCOME/(EXPENSES), NET

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

EUR in thousands	Year ended December 31, 2011	2010
Foreign exchange gain/(loss), net	3,044	4,079
Taxes, duties, fees, charges, other than income tax	(82)	(131)
R&D tax credit	3,075	3,295
Miscellaneous income/(expenses), net	145	63
Other income/(expenses), net	**6,182**	**7,305**

R&D tax credit is an Austrian tax premium of 10% (2010: 8%) on research and development expenses, which is credited to a company's tax account and may be paid out in cash.

9 RE-STRUCTURING AND IMPAIRMENT

Re-structuring and impairment includes the following:

EUR in thousands	Year ended December 31, 2011	2010
Impairment of intangibles and fixed assets	4,435	176,664
Employee termination costs	915	2,656
Other re-structuring costs	(2,562)	3,468
Re-structuring and impairment	**2,787**	**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 also been disposed or written off. The workforce has been reduced accordingly. In addition, further costs to finalize the ongoing clinical trials have been included in re-structuring costs. During the year 2011, the re-structuring program was executed and resulted in a partial reversal of the re-structuring provision from the year 2010, due to lower than expected costs. The R&D site consolidation strategy resulted in additional employee termination costs and further fixed assets and intangible assets have been impaired in 2011. For more details see notes 13, 14 and 27.

10 FINANCE INCOME/(EXPENSES)

EUR in thousands	Year ended December 31, 2011	2010
Finance income		
- Interest income from bank deposits	160	365
- Interest income on available-for-sale financial assets	839	1,459
- Fair value gains on increase option	1,596	-
	2,595	**1,824**
Finance expense		
- Interest expense to banks and government agencies	(659)	(629)
- Interest expense on convertible notes	(2,466)	-
- Realized losses from the sale of available-for-sale financial assets	(597)	(489)
- Fair value losses on available-for-sale financial assets	(766)	-
	(4,488)	**(1,118)**
Net finance income/(expense)	**(1,893)**	**706**

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/(EXPENSE)

Income tax is comprised of current and deferred tax.

EUR in thousands	Year ended December 31, 2011	2010
Current tax	(4)	(136)
Deferred tax	48	(4,549)
Income tax	**44**	**(4,684)**

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:

EUR in thousands	Year ended December 31, 2011	2010
Loss before tax	(29,309)	(250,498)
Tax calculated at domestic tax rates applicable to profits in the respective countries	8,198	89,688
Income not subject to tax	776	846
Expenses not deductible for tax purposes	(454)	(1,217)
Deferred tax asset not recognized	(8,139)	-
Derecognition of tax losses previously recognized, and adjustments in respect of prior years	(229)	(95,542)
Effect of change in applicable tax rate	(71)	(35)
Exchange differences	(31)	4
Income tax credit	-	1,709
Minimum corporate income tax	(4)	(136)
Income tax	**44**	**(4,684)**
Effective tax rate	0%	(2%)

The weighted average applicable tax rate was 28% (2010: 36%). 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	At December 31, 2011	2010
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	7,197	4,858
- Deferred tax asset to be recovered within 12 months	5,592	6,618
	12,790	**11,475**
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	(12,375)	(11,364)
- Deferred tax liability to be recovered within 12 months	(311)	(49)
	(12,686)	**(11,413)**
Deferred tax, net	**104**	**62**

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

EUR in thousands	2011	2010
Beginning of year	62	11,095
Exchange differences	(7)	(968)
Income statement charge	48	(4,549)
Tax charged directly to equity	-	(5,516)
End of year	**104**	**62**

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

EUR in thousands	At December 31, 2011	2010
Deferred tax asset from		
Tax losses carried forward	110,855	99,445
Fixed assets	4,731	4,408
Other items	7,750	9,244
Non-recognition of deferred tax assets	(110,547)	(101,623)
Total deferred tax assets	**12,790**	**11,475**
Deferred tax liability from		
Accelerated tax depreciation	(5,680)	(5,210)
Intangible assets	(6,578)	(5,858)
Other items	(427)	(345)
Total deferred tax liability	**(12,686)**	**(11,413)**
Deferred tax, net	**104**	**62**

The income tax rate in the United Kingdom has been reduced from 28% to 25%. The deferred tax assets and liabilities presented above as at December 31, 2011 have been adjusted for this change in tax rates.

The tax losses of EUR 316,984 thousand (2010: EUR 319,394 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 adequate 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 137,146 thousand (2010: EUR 124,393 thousand) and the research and development credits of EUR 5,661 thousand (2010: EUR 5,482 thousand) will begin to expire in the year 2023 if unused.

12 EARNINGS/LOSSES PER SHARE

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, 2011	2010
Net loss attributable to equity holders of the Company (EUR in thousands)	(29,265)	(255,182)
Weighted average number of outstanding shares	48,290,471	48,198,754
Basic earnings/(losses) per share (EUR per share)	**(0.61)**	**(5.29)**

Diluted losses per share equal basic losses per share because the conversion of all potentially dilutive shares (outstanding share options, note 21, and convertible bond, note 26.3) 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, 2010						
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**
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 combinations (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 re-structuring 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)
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**
Year ended December 31, 2011						
Opening net book value	41,111	5,758	463	862	-	48,194
Exchange rate differences	248	76	6	8	-	338
Additions	367	746	200	46	68	1,427
Reclassification	-	-	-	-	-	-
Disposals	-	(5)	(40)	-	-	(46)
Depreciation charge	(2,191)	(1,751)	(261)	(162)	-	(4,365)
Impairment charge	(1,260)	(5)	(64)	-	-	(1,329)
Closing net book value	**38,276**	**4,820**	**303**	**754**	**68**	**44,220**
December 31, 2011						
Cost	52,331	20,592	1,384	1,800	68	76,175
Accumulated depreciation and impairment	(14,056)	(15,772)	(1,081)	(1,047)	-	(31,955)
Net book value	**38,276**	**4,820**	**303**	**754**	**68**	**44,220**

Depreciation and amortization expenses of EUR 3,176 thousand (2010: EUR 4,146 thousand) were charged to research and development expenses and EUR 70 thousand (2010: EUR 95 thousand) to general, selling, and administrative expenses.

Operating property leases amounting to EUR 1,501 thousand (2010: EUR 1,865 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, 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**
December 31, 2011						
Cost	34,795	2,128	126	598	-	37,647
Accumulated depreciation	(2,636)	(975)	(88)	(224)	-	(3,923)
Net book value	**32,159**	**1,153**	**38**	**374**	**-**	**33,724**

14 INTANGIBLE ASSETS

EUR in thousands	*Software*	*In-process R&D*	*Development costs*	*Advance payments*	*Total*
January 1, 2010					
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 combinations (note 31)	-	14,983	-	-	14,983
Additions	589	565	12,578	8	13,741
Reclassification	76	-	-	(76)	-
Disposals	(147)	-	-	-	(147)
thereof re-structuring and impairment	*(147)*	-	-	-	*(147)*
Amortization charge	(369)	(575)	(868)	-	(1,812)
Impairment charge	-	(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**
Year ended December 31, 2011					
Opening net book value	849	40,574	20,060	8	61,491
Exchange rate differences	3	111	102	-	216
Additions	384	323	6,395	2	7,105
Reclassification	8	-	-	(8)	-
Disposals	(35)	-	-	-	(35)
Amortization charge	(435)	(1,130)	(1,724)	-	(3,289)
Impairment charge	-	(3,183)	-	-	(3,183)
Closing net book value	**774**	**36,696**	**24,833**	**2**	**62,304**
December 31, 2011					
Cost	1,996	61,769	27,665	2	91,432
Accumulated amortization and impairment	(1,222)	(25,074)	(2,832)	-	(29,128)
Net book value	**774**	**36,696**	**24,833**	**2**	**62,304**

14.1 SIGNIFICANT INTANGIBLE ASSETS

Intangible assets relating to the Company's Japanese Encephalitis vaccine comprise its development costs, licenses, and milestone payments made for the product. The carrying amount of the assets of EUR 24,679 thousand (2010: EUR 20,153 thousand) will be fully amortized in 12 years (2010: 13 years).

14.2 IMPAIRMENT TESTING OF IN-PROCESS RESEARCH AND 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 11.92% per annum (2010: 11.44% 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 11.92% per annum (2010: 11.44% per annum) is based on 3.49% (2010: 3.10%) risk-free rate, 5% (2010: 5%) market risk premium, a beta of 0.94 (2010: 0.92) and 3.74% (2010: 3.74%) size premium.

The impairment of in-process research and development projects amounted to EUR 3,183 thousand (2010: EUR 169,185 thousand).

14.3 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 11.92% per annum (2010: 11.44% per annum). An increase in the discount rate of one percentage point would result in no impairment loss (2010: EUR 0.0m).

The net present value calculation uses a probability of success rate of 50% per annum for products in the stage of pivotal regulatory studies (2010: 10% per annum for products in pre-clinical stage and 50% per annum for products in the stage of pivotal regulatory studies). A decrease in the probability of success rate of ten percentage points would result in no impairment loss (2010: EUR 3.2m).

15 FINANCIAL INSTRUMENTS

15.1 FINANCIAL INSTRUMENTS BY CATEGORY

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[1]	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)[2]	5,921	5,921
Finance lease liabilities[2]	34,900	34,900
Trade and other payables[3]	31,838	31,838
Liabilities	**72,659**	**72,659**

December 31, 2011 *EUR in thousands*	*Loans and receivables*	*Available for sale*	*Total*
Assets as per balance sheet			
Available-for-sale financial assets	-	34,486	34,486
Trade and other receivables[1]	18,087	-	18,087
Cash and short-term deposits	16,373	-	16,373
Assets	**34,460**	**34,486**	**68,946**

[1]Prepayments and tax receivables are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.
[2]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.
[3]Social security and other tax payables are excluded from the trade and other payables balance, as this analysis is required only for financial instruments.

	Other financial liabilities	*Total*
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)[2]	30,345	30,345
Finance lease liabilities[2]	33,602	33,602
Trade and other payables[3]	14,058	14,058
Liabilities	**78,005**	**78,005**

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, 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**

December 31, 2011 *EUR in thousands*	*Level 1*	*Total*
Available-for-sale financial assets		
Government bonds	14,163	14,163
Bank notes	15,055	15,055
Mutual funds	2,027	2,027
Asset-backed securities	3,241	3,241
Available-for-sale financial assets	**34,486**	**34,486**

On February 23, 2011, the Company announced the placement of EUR 33.0 million of Senior Unsecured Convertible Notes in a private placement transaction (see note 26). The increase option component that results from the original investors' right to purchase additional notes is a Level 3 financial instrument and the fair value tends to zero as of December 31, 2011.

In March 2011, the Company's asset-backed securities fund, which had been suspended from trading as a consequence of the financial crisis on the asset-backed securities markets in 2007, resumed trading. Therefore, the asset-backed securities fund was transferred from Level 3 to Level 1.

There were no available-for-sale financial assets in Level 2 and Level 3 as of December 31, 2011.

Reconciliation of Level 3 fair value measurements of financial instruments:

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**

EUR in thousands	*Asset-backed securities*	*Total*
Balance at January 1, 2011	4,237	4,237
Gains in other comprehensive income	628	628
Losses from sales	-	-
Transfers into Level 1	(4,865)	(4,865)
Balance at December 31, 2011	**-**	**-**

EUR in thousands	*Derivative financial liability*	*Total*
Balance at January 1, 2011	-	-
Issuance of convertible notes (increase option)	1,596	1,596
Fair value gains	(1,596)	(1,596)
Balance at December 31, 2011	**-**	**-**

The table above only includes financial instruments.

Significant assumptions used in determining fair value of financial assets and liabilities
Asset-backed securities: As of December 31, 2010, 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). The Company was not able to obtain reasonable alternative assumptions, thus the sensitivity of fair values was not calculated.

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	*2011*	*2010*
Trade receivables and other financial assets[1]		
Receivables from governmental institutions	2,043	1,587
AA	3,326	13,837
A	11,296	-
Counterparties without external credit rating	1,422	125
Trade receivables and other financial assets[1]	**18,087**	**15,550**
Cash at bank and short-term bank deposits		
AAA	18	-
AA	-	-
A	16,345	26,911
Counterparties without external credit rating or rating below A	10	10
Cash at bank and short-term bank deposits	**16,373**	**26,921**
Available-for-sale debt securities		
AAA	14,402	26,261
AA	999	4,888
A	15,746	22,865
Counterparties without external credit rating or rating below A	3,338	5,247
Available-for-sale debt securities	**34,486**	**59,261**

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

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

The maximum exposure to credit risk at the reporting date is the fair value of the financial assets. None of the financial assets is either past due or impaired.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At December 31,	
EUR in thousands	*2011*	*2010*
Non-current	-	4,237
Current	34,486	55,024
Available-for-sale financial assets	**34,486**	**59,261**

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

EUR in thousands	*2011*	*2010*
Beginning of the year	59,261	95,808
Additions	-	-
Disposals	(25,044)	(37,336)
Changes in accrued interest	(106)	(23)
Net gains transfer to other comprehensive income	1,316	812
Fair value losses recognized in loss for the period	(941)	-
End of the year	**34,486**	**59,261**

Available-for-sale financial assets include government bonds, floating rate notes, money market investment funds, and asset-backed security funds.

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 2011 was EUR 717 thousand loss (2010: EUR 143 thousand loss).

Available-for-sale financial assets are denominated in EUR.

17 INVENTORY

	At December 31,	
EUR in thousands	*2011*	*2010*
Raw materials	641	490
Work in progress	6,411	5,674
Finished goods	2,685	259
Inventory	**9,737**	**6,423**

The cost of inventories recognized as an expense and included in "cost of sales" amounted to EUR 14,307 thousand (2010: EUR 13,335 thousand). The cost of inventories recognized as an expense includes EUR 4,140 thousand (2010: EUR 6,194 thousand) in respect of write-downs of inventory to net realizable value.

Since 2011, standard costs are used to calculate the inventory cost of finished goods and work in progress.

18 TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables and other assets include the following:

	At December 31,	
EUR in thousands	*2011*	*2010*
Trade receivables	6,655	4,253
Less: provision for impairment of receivables	-	-
Trade receivables, net	6,655	4,253
Prepaid expenses	1,056	1,225
Other receivables	17,015	16,979
	24,726	22,457
Less non-current portion	(11,481)	(11,478)
Current portion	**13,245**	**10,979**

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

19 CASH AND SHORT-TERM DEPOSITS

	At December 31,	
EUR in thousands	*2011*	*2010*
Cash and cash equivalents	16,356	26,904
Short-term bank deposits with a maturity between 3 and 12 months	18	17
Cash and short-term deposits	**16,373**	**26,921**

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 EUR in thousands (except numbers of shares)	Shares issued – Nominal capital: Number of shares	Shares issued – Nominal capital: Nominal capital	Additional capital paid in: Share premium	Additional capital paid in: Capital from ESOP*	Treasury shares: Number of shares	Treasury shares: Book value	Total nominal capital and additional capital paid in
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**
Balance at January 1, 2011	**48,592,219**	**48,592**	**385,234**	**23,023**	**301,748**	**(292)**	**456,557**
Employee share option plan:							
- value of employee services	-	-	-	1,157	-	-	1,157
Cost of equity transactions	-	-	(61)	-	-	-	(61)
Balance at December 31, 2011	**48,592,219**	**48,592**	**385,173**	**24,179**	**301,748**	**(292)**	**457,653**

* Employee share option plan

At December 31, 2011, 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, 2011 - 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 5,784,457 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 16,289,493 new shares of common stock.

In February 2011, the Company issued convertible bonds including certain increase options for the bond holders (see note 26.3), which, together, upon exercise of the conversion right by the bondholders, could result in the subscription for up to 15,000,000 new bearer shares of common stock out of the Company's conditional capital for convertible notes.

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 as of December 31, 2011 as well as of December 31, 2010.

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

21 SHARE-BASED PAYMENTS

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 (cancelation). 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:

	2011		*2010*	
	Number of options	*Average exercise price in EUR per share*	*Number of options*	*Average exercise price in EUR per share*
Outstanding at January 1	3,812,975	20.77	3,410,128	22.86
Granted	1,548,400	2.09	1,011,100	12.17
Forfeited	(1,495,604)	21.50	(449,879)	21.61
Expired	(200,225)	15.85	-	-
Canceled	(542,000)	25.44	-	-
Exercised	-	-	(158,374)	8.40
Outstanding at year end	**3,123,546**	**10.59**	**3,812,975**	**20.77**
Exercisable at year end	431,993	24.78	1,014,931	22.16

In 2011, no options were exercised. Options exercised in 2010 resulted in 111,733 shares being issued at a price of between EUR 3.99 and EUR 11.43 per share. In addition, 46,641 shares of treasury stock (recorded at an average historical price of EUR 0.97 per share) were sold at between EUR 3.99 and 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.

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, 2011*	*2010*
Dec 2011	10.72 – 16.85	-	434,625
Dec 2012	23.95 – 26.18	197,500	631,100
Dec 2013	3.99 – 11.43	18,975	43,514
Dec 2013	20.63 – 31.35	301,971	908,036
Dec 2014	21.16 – 26.99	303,800	784,600
Dec 2015	11.80 – 17.96	752,900	1,011,100
Dec 2016	1.94 – 5.84	1,548,400	-
		3,123,546	**3,812,975**

The weighted average grant-date fair value of options granted during the year 2011 was EUR 0.86 (2010: EUR 2.35). The fair value of the granted options was determined using the Black Scholes valuation model. The significant inputs into the models were:

	2011	*2010*
Expected volatility (%)	35.00 – 71.00	28.00
Expected vesting period (term in years)	2.00 – 5.00	2.00 – 5.00
Risk-free interest rate (%)	0.07 – 2.26	0.54 – 1.77

In 2011, 1,548,400 share options were granted to members of the Management Board, Supervisory Board, and employees at an exercise price of EUR 1.94 and EUR 5.84 per share (expiry date: December 2016).

In December 2011, the members of the Management Board and Supervisory Board returned 542,000 options granted in the years 2007, 2008 and 2009 to the Company.

22 OTHER RESERVES

EUR in thousands	Available-for-sale investments	Currency translation	Revaluation from business combinations	Convertible Note	Total
Balance at January 1, 2010	**(3,159)**	**10,699**	**5,974**	**-**	**13,514**
Fair value gains on available-for-sale financial assets, net of tax	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**
Balance at January 1, 2011	**(3,400)**	**21,687**	**5,974**	**-**	**24,262**
Fair value gains on available-for-sale financial assets	1,316	-	-	-	1,316
Currency translation differences	-	(1,934)	-	-	(1,934)
Option premium on convertible note	-	-	-	35	35
Balance at December 31, 2011	**(2,084)**	**19,753**	**5,974**	**35**	**23,678**

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, 2011 and 2010, contribution costs amounted to EUR 137 thousand and EUR 183 thousand, respectively.

24 TRADE AND OTHER PAYABLES AND ACCRUALS

Trade and other payables and accruals include the following:

	At December 31,	
EUR in thousands	2011	2010
Trade payables	4,643	16,454
Accrued expenses	8,847	15,052
Social security and other tax payables	807	1,148
Other payables	568	331
	14,865	32,986
Less non-current portion	(152)	(312)
Current portion	**14,712**	**32,675**

25 DEFERRED INCOME

	At December 31,	
EUR in thousands	2011	2010
Arising from collaboration and licensing agreements	17,926	21,368
Arising from government grants	495	2,482
	18,421	23,850
Less non-current portion	(15,083)	(16,549)
Current portion	**3,337**	**7,301**

26 BORROWINGS

Borrowings of the Company at year-end include the following:

	At December 31,	
EUR in thousands	2011	2010
Non-current		
Bank borrowings	3,812	3,553
Convertible bond	13,994	-
Other loans	-	321
Finance lease liabilities	32,298	33,587
	50,105	**37,461**
Current		
Bank borrowings	-	570
Convertible bond	12,408	-
Other loans	131	1,477
Finance lease liabilities	1,303	1,314
	13,842	**3,361**
Total borrowings	**63,946**	**40,821**

The maturity of non-current borrowings is as follows:

EUR in thousands	At December 31, 2011	2010
Between 1 and 2 years	13,516	1,546
Between 2 and 3 years	4,661	1,614
Between 3 and 4 years	1,301	2,438
Between 4 and 5 years	1,320	1,311
Over 5 years	29,307	30,551
Non-current borrowings	**50,105**	**37,461**

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

EUR in thousands	At December 31, 2011	2010
EUR	63,816	40,245
USD	131	576
Total borrowings	**63,946**	**40,821**

26.1 FINANCE LEASE LIABILITIES

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

26.2 BANK BORROWINGS SECURED

In 2011, EUR 3,812 thousand (2010: EUR 5,344 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 2.17% at year-end 2011 (2010: 1.77%):

	Carrying amounts at December 31,		Fair values at December 31,	
EUR in thousands	2011	2010	2011	2010
Bank borrowings	3,812	4,123	3,768	4,159
Other loans	-	1,222	-	1,222
Guaranteed borrowings	**3,812**	**5,344**	**3,768**	**5,381**

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

26.3 CONVERTIBLE NOTE

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 though 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.

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

EUR in thousands	Liability component	Equity component	Increase option	Total
Proceeds of issue	31,340	35	1,625	33,000
Transaction costs	(554)	(1)	(29)	(583)
Net proceeds of issue	30,786	35	1,596	32,417
Valuation change	1,416	-	(1,596)	(180)
Repayment	(5,800)	-	-	(5,800)
Valuation at December 31, 2011	**26,402**	**35**	**-**	**26,437**
Less non-current portion	(13,994)			
Current portion	12,408			

27 PROVISIONS

EUR in thousands	At December 31, 2011	2010
Non-current	-	-
Current	2,389	6,071
Provisions	**2,389**	**6,071**

EUR in thousands	Legal obligations	Re-structuring	Total
Balance at January 1, 2011	**-**	**6,071**	**6,071**
Charged to the income statement:			
- Additional provision	1,031	1,594	2,625
- Reversed provision	-	(2,705)	(2,705)
Used provisions	-	(3,763)	(3,763)
Exchange differences	-	160	160
Balance at December 31, 2011	**1,031**	**1,358**	**2,389**

The balance at December 31, 2011 is expected to be utilized in the first half of 2012.

27.1 RE-STRUCTURING

Provisions include a re-structuring provision, which was first recognized in December 2010 when the Company developed and announced the main features of an ongoing re-structuring and cost saving program. During the implementation of the program, the Company reviews the items included in the provision, such as cost related to the reduction of the workforce, remnant clinical study costs, and costs related to the site consolidation. For more details see note 9.

27.2 LEGAL OBLIGATIONS

The amount represents a provision for investigations, following a batch-specific, voluntary re-call of IXIARO® in May 2011, the Company is completing a comprehensive investigation and root cause analysis in order to reduce the risk for future potential recalls, regulatory actions or batch-specific measures. These activities as well as other relevant measures and clinical implications are overseen and governed by the EMA (European Medicines Agency) under a procedure in accordance with Article 20 of the Commission Regulation (EC) 726/2004. The provision charge is recognized in profit or loss within cost of goods sold and research and development expenses.

28 CASH USED IN OPERATIONS

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

EUR in thousands	note	Year ended December 31, 2011	2010
Loss for the year		(29,265)	(255,182)
Adjustments for			
- Depreciation and amortization	13/14	7,519	7,662
- Impairment fixed assets/intangibles	13/14	4,435	176,664
- Share-based payments	21	1,157	3,519
- Income tax	11	(44)	4,684
- Loss from disposal of property, plant and equipment		53	56
- Other non-cash income/expense		568	(740)
- Fair value gains on derivative financial instruments	26	(1,596)	-
- Loss on disposal of available-for-sale financial assets	16	597	489
- Interest income	10	(999)	(1,824)
- Interest expense	10	3,125	629
- Changes in other long-term assets and liabilities		(1,636)	(14,312)
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):			
- Inventory		(2,677)	(2,737)
- Trade and other receivables		(2,114)	5,510
- Trade and other payables		(16,486)	4,977
- Provisions		(3,609)	6,071
Cash used in operations		**(40,973)**	**(64,535)**

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	2011	2010
Net book value	82	84
Loss on disposal of property, plant and equipment	(53)	(56)
Proceeds from disposal of property, plant and equipment	**29**	**28**

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 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.

The Company is a party to 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 wholly 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.

In December 2009, the Company entered into a Research and Development Agreement, as well as a Product License Agreement, with Novartis Vaccines and Diagnostics, Inc., relating to the Company's efforts to develop a therapeutic vaccine candidate against 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.

Total license and milestone payments made in 2011 amounted to EUR 1,138 thousand (2010: EUR 1,413 thousand), of which EUR 323 thousand (2010: EUR 563 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 under which it has identified relevant antigens for use in a bacterial vaccine. In June 2005, Sanofi 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. The agreement was terminated in January 2012.

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., now Kyowa Hakko Kirin 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 August 2006, the Company entered into an agreement with PATH (Program for Appropriate Technology in Health), a non-profit organization, for the development of a vaccine candidate against Pneumococcal infection under which PATH is co-financing the development. After a certain progress is made, the parties will negotiate in good faith a commercialization agreement for the manufacture, supply and sale of a Pneumococcal Protein Vaccine to the public sector in certain developing countries.

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 unpartnered 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 March 2011, the Strategic Alliance Agreement with Novartis was amended to reflect the collaboration of both parties in developing a vaccine candidate against Pseudomonas infection. The Company will conduct a clinical confirmatory efficacy study, which Novartis will co-finance. Novartis maintains its option rights on the program, and the Company may then choose either a profit-sharing or a milestone and royalties compensation.

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 contemplates collaborations relating to marketing and distribution arrangements for the Company's investigational Travelers' Diarrhea Patch Vaccine, the Vaccine Enhancement Patch system in the area of Pandemic Influenza as well as 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 would be 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. Following the discontinuation of the Travelers' Diarrhea Patch Vaccine program as announced by the Company at the end of 2010, the Company and GSK mutually terminated the Travelers' Diarrhea Patch Vaccine collaboration, and all rights to the Travelers' Diarrhea Patch Vaccine reverted back to the Company.

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 March 2011, the Marketing and Distribution Agreement was amended to allow the Company certain rights to promote the product in the United States at its own cost, with a modified transfer price for the sales generated.

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. However, in the absence of timely receipt of regulatory clearance for study initiation, Intercell and Romark will not proceed with the planned clinical trial to investigate a combination therapy of vaccine and antiviral against Hepatitis C.

The Company has also entered into a number of material transfer agreements with pharmaceutical and biotechnology companies pursuant to which it makes certain of its proprietary technologies 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	*2011*	*2010*
Property, plant and equipment	-	124
Capital commitments	**-**	**124**

b) Operating lease commitments

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

	At December 31,	
EUR in thousands	*2011*	*2010*
Not later than 1 year	53	1,257
Later than 1 year and not later than 5 years	57	2,041
Later than 5 years	-	-
Operating lease commitments	**110**	**3,298**

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

Other contingencies as of December 31, 2011 amounted to EUR 5,126 thousand (2010: EUR 3,664 thousand) and result from contractual arrangements with members of the Management Board and key employees, entitling them to a one-off payment in certain cases of termination of their employment relationship with the Company.

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 was effected in two tranches. The first tranche of EUR 10,000 thousand was paid in June 2010 and the second tranche was paid 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.

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 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 values 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. Along with the final purchase price allocation no adjustments were made.

There were no acquisitions in 2011.

32 RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

32.1 PURCHASES OF SERVICES

	Year ended December 31,	
EUR in thousands	*2011*	*2010*
Purchases of services:		
- Members of the Supervisory Board	70	5
Purchases of services	**70**	**5**

Hans Wigzell and Alexander von Gabain, members of the Supervisory Board, were also engaged as members in the Scientific Advisory Board. Therefore they received fees on normal commercial terms and conditions as the other Scientific Advisory Board members.

Alexander von Gabain furthermore serves as strategic advisor to the Company under a consulting agreement. For the services performed under this agreement he receives fees on normal commercial terms and conditions.

32.2 KEY MANAGEMENT COMPENSATION

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

	Year ended December 31,	
EUR in thousands	*2011*	*2010*
Salaries and other short-term employee benefits	1,766	1,416
Other long-term benefits	41	39
Share-based payments (stock compensation expense/income)	(375)	808
Key management compensation	**1,432**	**2,263**

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, 2011 amounted to EUR 3,835 thousand (2010: EUR 3,664 thousand).

In May 2011, Gerd Zettlmeissl, member of the Management Board, resigned. Therefore, his outstanding stock options were forfeited.

In December 2011, the members of the Management Board returned the outstanding stock options which were issued to them in the years 2007, 2008, and 2009.

32.3 SUPERVISORY BOARD COMPENSATION

The aggregate compensation of the members of the Company's Supervisory Board amounted to EUR 359 thousand (2010: EUR 288 thousand).

In December 2011, the members of the Supervisory Board returned the outstanding stock options which were issued to them in the years 2007, 2008, and 2009.

33 EVENTS AFTER THE REPORTING PERIOD

No material events have occurred after the balance sheet date that would require a disclosure in connection with economic information included in those financial statements.

Vienna, March 9, 2012

The Management Board

Thomas Lingelbach, CEO

Reinhard Kandera, CFO

Mustapha Leavenworth Bakali, CBO

The Consolidated Financial Statements of Intercell AG for the fiscal year from January 1, 2011 to December 31, 2011, 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.

DECLARATION BY THE MANAGEMENT BOARD 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 9, 2012

The Management Board

Thomas Lingelbach, CEO

Reinhard Kandera, CFO

Mustapha Leavenworth Bakali, CBO

The Consolidated Financial Statements of Intercell AG for the fiscal year from January 1, 2011 to December 31, 2011, 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.

FINANCIAL CALENDAR 2012

MARCH 06, 2012	Preliminary Q4 results for the twelve months ended December 31, 2011
MAY 08, 2012	Q1 results for the three months ended March 31, 2012
MAY 25, 2012	Annual General Meeting
JUNE 01, 2012	Ex-Dividend Date*
AUGUST 07, 2012	Q2 results for the six months ended June 30, 2012
NOVEMBER 07, 2012	Q3 results for the nine months ended September 30, 2012
NOVEMBER 23, 2012	Open House

* No dividend payment to be expected

Chapter **03**

Declaration by the Management Board
Financial Calendar 2012

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Imprint

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