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

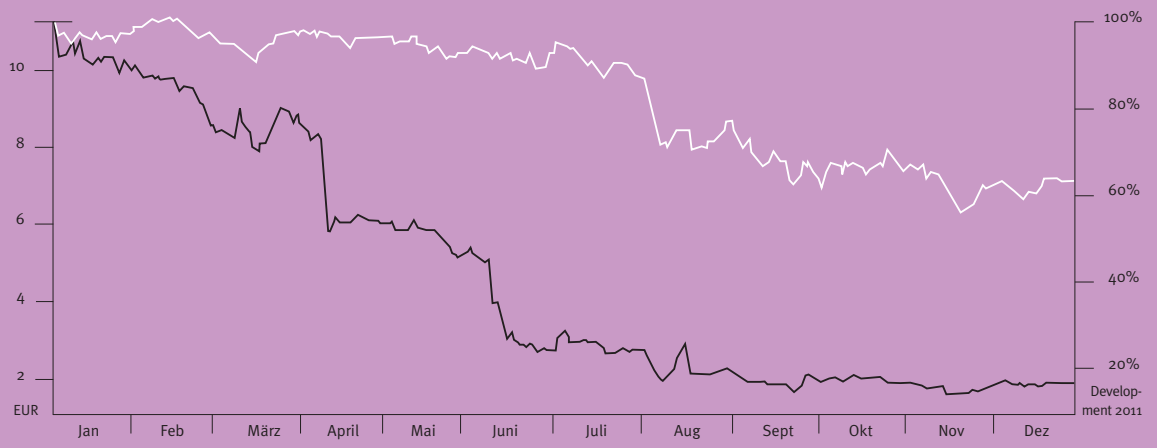
FINANCIAL POSITION

- 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

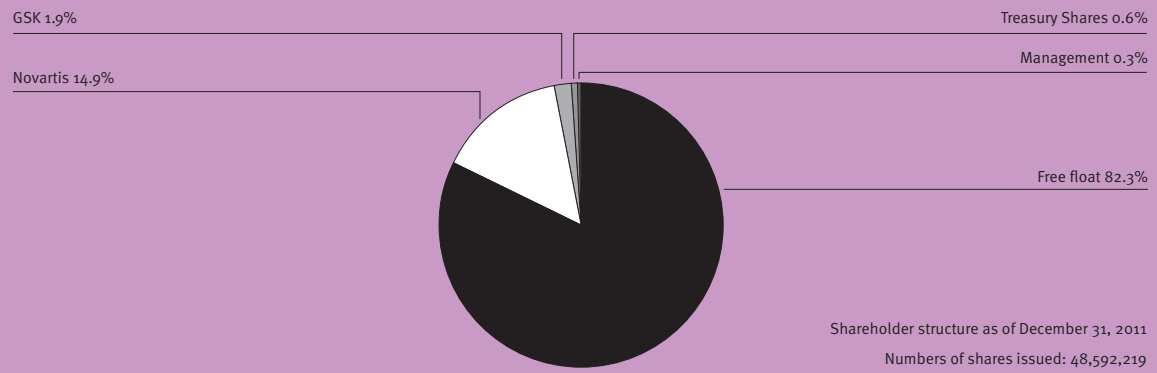
SHARE PERFORMANCE INTERCELL AG (2011-01-01 – 2011-12-31)

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.

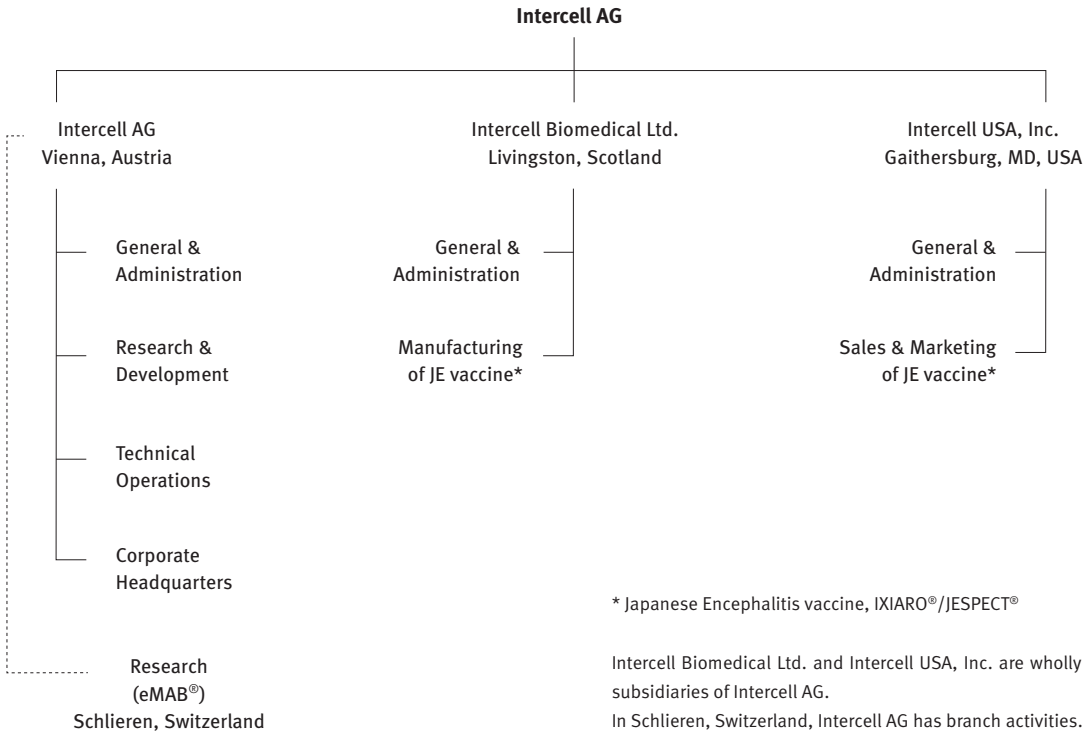
Intercell is listed on the Vienna Stock Exchange under the symbol "ICLL" and has a U.S. level 1 ADR program (symbol "INRLY").

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.

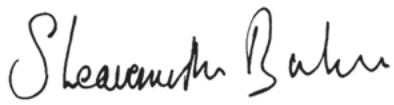
In order to be recognized as an innovative and trustworthy company, Intercell fosters a culture where associates are expected to behave ethically and lawfully. Intercell's core corporate values can be characterized by goal orientation at all levels of the Company, trust in our management and in each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

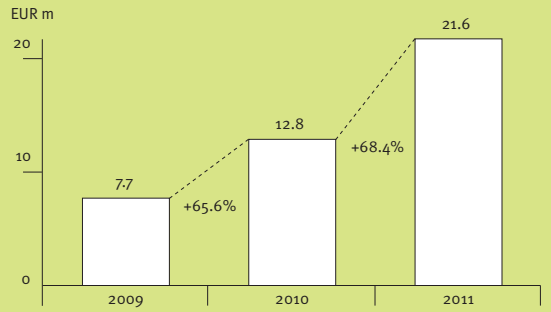
In 2011, the French Prix Galien was awarded to IXIARO® in the category "Medicines available solely in international vaccination centers".

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

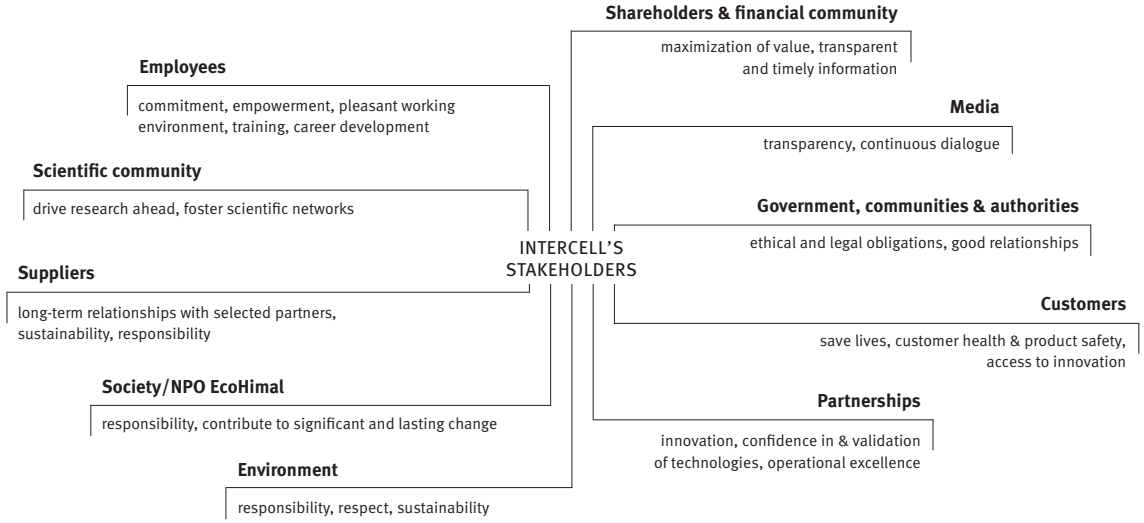
Indication	*Partner*
Japanese Encephalitis (JE) vaccine	Novartis / CSL Ltd. / Biological E. Ltd.
Pseudomonas aeruginosa	Novartis
IC31® Seasonal Influenza vaccine	Novartis
Pandemic Influenza Vaccine Enhancement Patch	GlaxoSmithKline / HHS*
IC31® Tuberculosis vaccine	Statens Serum Institut / Sanofi / AERAS
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.

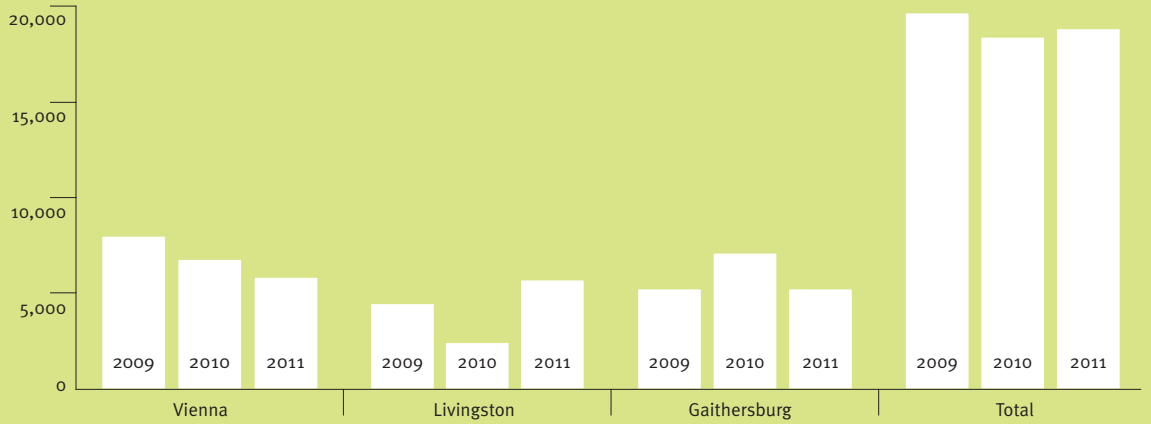
Water & Waste Management

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.

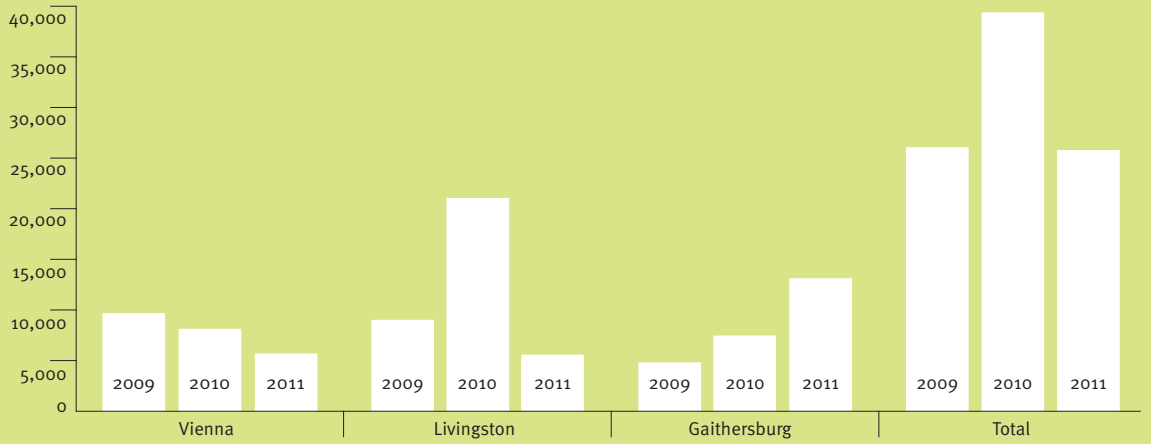
In Vienna, Intercell successfully reduced the water consumption from year to year. At the Livingston site, we also made great progress in 2011, while water consumption in Gaithersburg increased mainly because of work on the building's fire sprinkler system and the main cooling tower.

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.

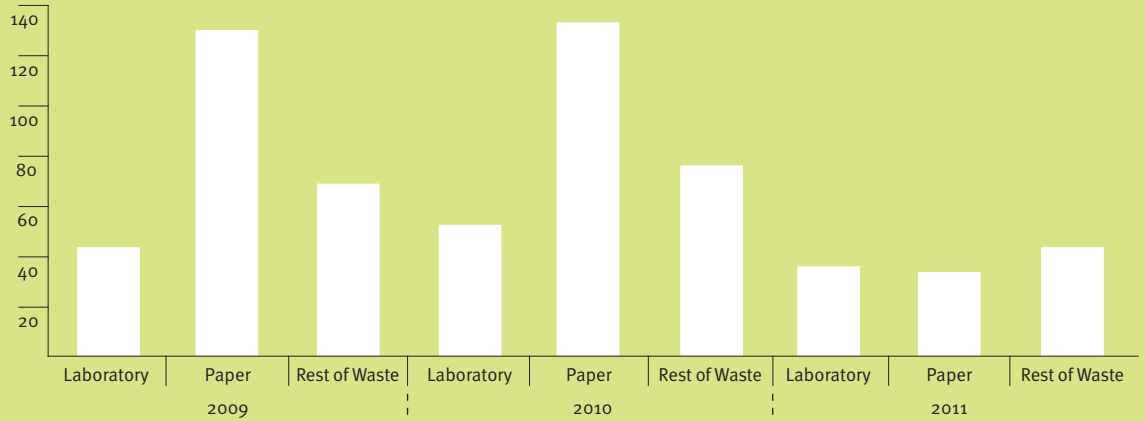
Mobility

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

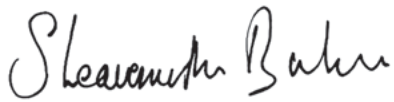
No material events have occurred after the balance sheet date that would have an impact on the asset-, financial- and earning position of the Company.

Vienna, March 9, 2012

The Management Board

Thomas Lingelbach, CEO

Reinhard Kandera, CFO



Mustapha Leavenworth Bakali, CBO