Intercell
Report on Q2 | H1 2010

intercell
SMART VACCINES

Intercell announces Q2 and H1 financial results and updates on program progress

» IXIARO®/JESPECT® net product sales exceed EUR 5m in Q2 2010

» R&D pipeline progress according to plan

» Focused R&D spending in late-stage programs lead to EUR 23.0m loss for H1 2010

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IXIARO®/JESPECT® sales increased significantly in Q2 – Continued focus on growing marketing and sales of product in traveler and military markets

- Q2 2010 sales of EUR 5.2m represent best quarterly sales revenues since product launch in 2009.
- Further growth of net product sales expected during 2010 compared to prior year driven by new and enhanced vaccination recommendations and increasing global marketing and sales efforts by Intercell's partners Novartis and CSL Ltd., fostering disease and product awareness.
- 2010 military sales will depend on further use of residual product stock of JE-Vax®.
- Swissmedic approved IXIARO® in July – product successfully launched in Switzerland.
- Label extension: pediatric Phase III studies for IXIARO®/JESPECT® in children travelling to endemic areas progressing according to plan – data expected for 2012.
- Clinical development in endemic areas progressing with pivotal Phase III start in children planned for year end 2010 by Intercell's partner Biological E. in India.

Pandemic Influenza single dose – Continuation of clinical evaluation using GSK's pandemic H5N1 vaccine

- Phase II clinical trial results of investigational Vaccine Enhancement Patch (VEP) system for Avian H5N1 Influenza vaccination analyzed as reported in early July. This trial was conducted as part of Intercell's contract with the U.S. Department of Health and Human Services (HHS, contract number HHS0100200700031C).
- Results not showing a statistically significant difference in seroprotection rates as measured by Haemagglutinin Inhibition (HI) assay when comparing groups with and without VEP.
- Patch effective in delivering adjuvant and demonstrating a good safety profile.
- Further clinical evaluation using VEP in combination with an injectable H5N1 vaccine from GlaxoSmithKline (GSK) as part of a collaborative agreement signed in December 2009. Timelines for initiation of next clinical trial currently under evaluation between GSK, United States Department of Health and Human Services (HHS) and Intercell.

Clinical programs progressing well – Key data expected for later this year

- Recruitment completed for pivotal Phase III study for the investigational Travelers' Diarrhea (TD) Vaccine Patch (travelers to Mexico and Guatemala) – results expected late 2010 or beginning 2011. Complementary pilot efficacy Phase II study in travelers to India also completely recruited and data expected in Q4 2010.
- Phase II results for the vaccine candidate to prevent Pseudomonas infections in hospitals expected at the end of Q3 / early Q4 2010, depending on data analysis timelines.
- Staphylococcus aureus vaccine (V710): Phase II/III study recruitment conducted by Merck & Co., Inc. in cardiothoracic surgery patients for the investigational S. aureus vaccine further progressing to plan – first critical interim analysis (surpassing futility) now expected in 2011 (as guided at Merck's R&D day on May 11, 2010).
- Pneumococcus vaccine: following the successfully completed Phase I study in healthy adults, Intercell and its partner PATH are evaluating the design and timelines for clinical trials in children.
- Tuberculosis vaccine: Phase I clinical programs are proceeding according to plan.
- Therapeutic vaccine candidate against Hepatitis C: good progress is made towards a collaboration in 2010 to conduct combination studies of the vaccine with a small molecule approach.

Additional transactions securing long-term growth and technology leadership

- Intercell acquired antibody technology for EUR 15m to complement its technology platform and to open novel medically and commercially relevant applications in anti-infective therapies for the Company's Antigen Identification Program (AIP®).
- In May 2010, Intercell entered into an Option and Exclusive License Agreement with Boehringer Ingelheim Vetmedica to develop animal vaccines.

Corporate/Other

» In July 2010, Bill Gates visited Intercell to discuss vaccine approaches for developing countries.

Financial Results

» Significant increase in product sales totaling EUR 5.2m in Q2 2010 – strongest quarter since IXIARO®/JESPECT® launch.

» EUR 14.4m revenues in H1 2010 compared to EUR 20.3m in H1 2009.

» EUR 23.0m net loss in H1 2010 compared to EUR 11.3m in H1 2009 mainly driven by increased R&D expenses for late-stage development programs.

» Strong cash position with EUR 127.8m liquid funds at June 30, 2010.

» Outlook full year 2010: Growing revenues from product sales but potentially higher loss than 2009 due to milestone shifts – expected net loss between EUR 20.0m and EUR 40.0m.

Key Financial Figures

EUR in thousands	3 months ended		6 months ended		Year ended
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	Dec 31, 2009
Revenues	9,659	14,897	14,414	20,321	61,681
Net profit/(loss)	(8,346)	(3,078)	(23,048)	(11,254)	(18,375)
Net operating cash flow	(11,026)	(14,364)	(26,494)	(28,570)	(25,995)
Cash, short-term deposits and available-for-sale financial assets, end of period	127,802	154,390	127,802	154,390	180,019

Company Profile

Intercell AG is an innovative biotechnology company that develops novel vaccines for the prevention and treatment of infectious diseases with substantial unmet medical needs. Intercell's vaccine to prevent Japanese Encephalitis is the Company's first product on the market.

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

The Company's pipeline of investigational products includes a Travelers' Diarrhea Vaccine Patch (Phase III), a Pseudomonas vaccine candidate (Phase II), a vaccine to prevent Pandemic Influenza combining our Vaccine Enhancement Patch with an injected vaccine (Phase II), a vaccine program for S. aureus, which is being developed with Merck & Co., Inc. (Phase II/III), as well as a vaccine candidate for Pneumococcus (Phase I). In addition, further products focused on infectious diseases are in pre-clinical development.

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

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

Operational Business and Strategy Review

IXIARO®/JESPECT® sales increased significantly from EUR 2.4m in Q2 2009 to EUR 5.2m in Q2 2010 – Continued focus on growing marketing and sales of product in traveler and military markets

Revenues from IXIARO®/JESPECT® product sales in Q2 2010 represent the best quarterly sales since the product launch in Q1 2009. The Company expects continued growth of net product sales during H2 2010. Following the recent approval of IXIARO® by Swissmedic and the successful product launch in Switzerland, Intercell expects enhanced vaccination recommendations and increasing global marketing and sales efforts by its partners Novartis and CSL Ltd., fostering disease and product awareness. Besides the traveler's market the focus remains on the U.S. military. The growth rate of 2010 military sales will depend on the use of the stockpile for JE-Vax® and rapid adaption of the broadened recommendations for deployed military personal.

At the end of 2009, Intercell initiated a pediatric Phase III study for IXIARO®/JESPECT® in children above 6 months of age travelling from the U.S., Europe, and Australia to JE-endemic areas. The multinational study, which includes 100 children, will be the first of two Phase III trials in support of the IXIARO®/JESPECT® label extension for pediatric licensure for children above 2 months of age. The study investigates the safety and immunogenicity of the vaccine and is progressing according to plan – final data is expected for 2012.

Intercell is also working with its partner Biological E. of Hyderabad, India, for the investigational vaccine to protect children and adults from JE – the project is progressing according to plan and the start of a Phase III trial for the investigational Japanese Encephalitis vaccine produced by Biological E. in India is expected to commence by the end of 2010.

Pandemic Influenza Vaccine Enhancement Patch (VEP) – Next clinical evaluation using GSK's pandemic H5N1 vaccine to test single application protection

At the beginning of July, Intercell reported the results of a Phase II clinical trial of its investigational Vaccine Enhancement Patch (VEP) system for Avian H5N1 Influenza. Following encouraging pre-clinical and clinical Phase I proof-of-concept trials conducted under a Health and Human Services (HHS) contract (contract number HHS0100200700031C), the clinical Phase II study was designed to determine the safety and the optimal combination/dose of an injectable H5N1 Influenza vaccine and Intercell's VEP applied at the injection site. The study did not identify the optimal combination of antigen and adjuvant and the results did not show a statistically significant difference in seroprotection rates as measured by Haemagglutinin Inhibition (HI) assay when comparing groups with and without VEP.

However, the VEP does appear to be effective in delivering adjuvants and did demonstrate a good safety profile.

Intercell intends to conduct further clinical evaluation using its VEP in combination with an injectable H5N1 vaccine to be supplied by GlaxoSmithKline (GSK) as part of a collaborative agreement signed in December 2009. Timelines for initiation of the next clinical trial are currently being evaluated between GSK, HHS and Intercell.

All clinical programs progressing well – Key data to be announced later this year

Recruitment for the pivotal Phase III study (approximately 2,000 travelers) for Intercell's investigational Travelers' Diarrhea (TD) Vaccine Patch is completed. The randomized and placebo-controlled study will evaluate the efficacy of the TD Vaccine Patch to actively immunize against moderate to severe enterotoxigenic Escherichia coli (ETEC) disease and Diarrhea in a field setting. First data is expected late 2010 or at the beginning of 2011. The enrollment of a complementary Phase II study in travelers to India (approximately 800 travelers) was also completed and first data is expected by Q4 2010.

Phase II results for the vaccine candidate to prevent Pseudomonas infections in hospitals are expected at the end of Q3 / early Q4 2010, depending on data analysis timelines. Intercell's investigational prophylactic vaccine is a recombinant subunit vaccine consisting of two outer membrane proteins of Pseudomonas aeruginosa. In the initial clinical setting, it aims to evaluate protection of intensive care unit (ICU) patients against Ventilator-Associated Pneumonia (VAP) and Bacteremia. The current Phase II clinical trial includes about 400 patients in more than 50 ICUs in 11 countries in Europe and Latin America.

The recruitment for the Phase II/III clinical study testing the Staphylococcus aureus vaccine candidate (V710) in cardiothoracic surgery patients conducted by Merck & Co., Inc. is progressing well. First critical interim analysis (surpassing futility) is now expected in 2011, as disclosed at Merck's R&D day on May 11, 2010.

Pneumococcus vaccine: based on the satisfactory Phase I safety and immunogenicity data in healthy adults, Intercell and its partner PATH are evaluating the timeline for the start of clinical trials in children.

Tuberculosis vaccine: Phase I clinical programs are proceeding according to plan.

Intercell reports good progress towards a collaboration in 2010 for its therapeutic vaccine candidate against Hepatitis C. The potential collaboration aims at conducting combination studies of the vaccine with a small molecule approach.

Additional transactions securing long-term growth and technology leadership

In June 2010, Intercell announced the closing of the acquisition of Cytos' platform technology for monoclonal antibody discovery to treat infectious diseases. Intercell acquired this technology, which is based on expression cloning of monoclonal antibodies from human B-cells, for EUR 15m to complement its technology platform and to open novel medically and commercially relevant applications for the Company's Antigen Identification Program (AIP®), which has already in the past provided promising targets for antibodies such as the S. aureus antibody.

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

Corporate/Other

In July 2010, Bill Gates, Co-chair of the Bill & Melinda Gates Foundation, visited Intercell's headquarters in Vienna for a close look at the Company's product pipeline and innovative technologies to fight infectious diseases. Bill Gates and Intercell's Management team discussed potential ways of future cooperation to develop novel and innovative vaccines for the developing world.

Q2 2010 Financial Review

Revenues

Revenues from product sales increased significantly from EUR 2.4m in Q2 2009 to EUR 5.2m in Q2 2010. Aggregate revenues decreased from EUR 14.9m in Q2 2009 to EUR 9.7m in Q2 2010, or by 35.2%, due to lower revenues from collaborations, licensing and grants, which were EUR 12.5m in Q2 2009 and EUR 4.5m in Q2 2010. Collaboration and licensing revenues were EUR 9.8m in Q2 2009 and EUR 3.7m in Q2 2010. This decrease was mainly due to a milestone payment of EUR 5.0m from Novartis recognized in Q2 2009. Revenues from grants decreased from EUR 2.7m in Q2 2009 to EUR 0.8m in Q2 2010. The Company's revenues from collaborations, licensing, and grants generally depend on the achievement of milestones or on the effective date of new agreements, which results in significant fluctuations in these revenues from period to period.

Results of Operations

Intercell's net loss increased from EUR 3.1m in Q2 2009 to EUR 8.3m in Q2 2010.

This increase was primarily due to a decrease in revenues and an increase in research and development expenses. Cost of goods sold was EUR 6.1m, of which EUR 4.3m was directly attributable to vaccine sales in Q2 2010 and EUR 1.8m was due to inventory write-offs. The latter resulted mainly from write-offs of unfinished products.

Research and development (R&D) expenses increased from EUR 13.6m in Q2 2009 to EUR 16.9m in Q2 2010, or by 24.0%. This increase was primarily due to increased expenses for our clinical TD Vaccine patch program in Phase III. Intercell's general, selling, and administrative expenses increased by 16.7% from EUR 4.4m in Q2 2009 to EUR 5.2m in Q2 2010, which included EUR 0.4m transaction costs related to our acquisition of Cytos' platform technology for monoclonal antibody discovery. Net other operating expenses were EUR 0.8m in Q2 2009, compared to net other operating income of EUR 9.5m in Q2 2010. This significant increase was mainly attributable to higher foreign exchange gains and R&D tax credits in Q2 2010.

Finance Results and Tax

Finance income, net of expenses, was EUR 0.7m in Q2 2009 and EUR 0.4m in Q2 2010. This decrease was due to lower interest rates and a lower level of financial assets. Income tax income was EUR 2.9m in Q2 2009 and EUR 0.2m in Q2 2010.

H1 2010 Financial Review

Revenues

Intercell's aggregate revenues decreased from EUR 20.3m in H1 2009 to EUR 14.4m in H1 2010, or by 29.1%. Product sales of IXIARO®/JESPECT® amounted to EUR 2.9m in H1 2009 compared to EUR 5.6m in H1 2010. Revenues from collaborations, licensing, and grants decreased from EUR 17.5m in H1 2009 to EUR 8.8m in H1 2010.

Results of Operations

Intercell's net loss increased from EUR 11.3m in H1 2009 to EUR 23.0m in H1 2010. The increase in net loss was mainly due to lower revenues from collaborations and licensing and higher research and development expenses, as well as lower income tax income.

R&D expenses increased from EUR 28.7m in H1 2009 to EUR 34.9m in H1 2010, or by 21.4%. General, selling and administrative expenses increased by 16.2% from EUR 8.2m in H1 2009 to EUR 9.5m in H1 2010. Net other operating income increased from EUR 0.4m in H1 2009 to EUR 12.8m in H1 2010, mainly due to the effects of foreign currency exchange rate fluctuations.

Finance Results and Tax

Financial income, net of expenses was EUR 1.7m in H1 2009 compared to EUR 0.7m in H1 2010. This decrease was due to lower income on liquid funds.

Income tax income was EUR 7.4m in H1 2009 compared to EUR 0.3m in H1 2010. Income tax income resulted from the recognition of deferred income tax assets from tax losses, which will be carried forward to offset future income tax obligations.

Cash Flow and Capital Resources

Intercell's net cash used in operating activities was EUR 28.6m in H1 2009, compared to EUR 26.5m in H1 2010. This decrease was primarily due to a prior year effect from fluctuations in working capital.

Net cash generated from investing activities was EUR 7.3m in H1 2009, compared to net cash used in investing activities of EUR 11.4m in H1 2010. Cash used in investing activities in H1 2010 included a EUR 10.0m payment for the acquisition of Cytos' platform technology for monoclonal antibody discovery.

Intercell's net cash generated from financing activities was EUR 0.6m in H1 2009, compared to net cash used in financing activities of EUR 0.8m in H1 2010 and resulted mainly from redemption payments under financial leasing arrangements.

As of June 30, 2010, Intercell had liquid funds of EUR 127.8m, of which EUR 51.3m were cash and short-term deposits and EUR 76.5m were available-for-sale financial assets.

EUR in thousands	3 months ended		6 months ended		Year ended
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	Dec 31, 2009
Revenues	9,659	14,897	14,414	20,321	61,681
Net profit/(loss)	(8,346)	(3,078)	(23,048)	(11,254)	(18,375)
Net operating cash flow	(11,026)	(14,364)	(26,494)	(28,570)	(25,995)
Cash, short-term deposits and available-for-sale financial assets, end of period	127,802	154,390	127,802	154,390	180,019

Risks

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 generated significant revenues from commercial product sales to date. 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 risk, in particular including the following:

The Company needs to gain market acceptance for its first product in order to recover significant development costs that it has incurred. Intercell may be unable to successfully market and sell its Japanese encephalitis vaccine and to develop and commercialize its product candidates as expected or at all. The 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 face difficulties in the ability to manufacture its Japanese encephalitis vaccine in commercial sale quantities. Biological manufacturing is subject to government regulation and regular inspection. In case of failure to comply with regulatory requirements, including current Good Manufacturing Practices, the Company's manufacturers' license may be suspended or revoked. The risk of suspension or revocation of a manufacturers' license also applies to third party manufacturers and contractors with whom the Company contracts for manufacturing and services. Should external manufacturers and contractors fail to perform, the development, manufacturing, and commercialization of Intercell's products and/or product candidates may be limited or delayed, which may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's only approved product is manufactured in a dedicated manufacturing facility. 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.

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, the Company might lose a significant share of the expected market.

The Company's research and development activities, and in particular its late-stage clinical trial programs, are expensive and time-consuming. The result of these research and development 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 (EMEA), and other relevant regulatory agencies in order to continue to develop and commercialize its product candidates, which may be delayed or denied. 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..

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 the need 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.

Intercell's failure to successfully integrate Iomai and other businesses acquired in the future could have a material adverse effect on its business, financial condition and results of operations. As it further evolves as a company, Intercell may not successfully manage its growth.

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

The success of the Company's 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, independently develop products that could compete with the Company's product candidates, or fail to commit sufficient resources to the development or commercialization of the product candidates partnered with the Company.

In addition, the Company's clinical trial liability and product liability insurance coverage may not be sufficient to cover liability or product liability claims, which Intercell may incur as a result of the use of its product candidates in clinical trials or the sale of products, or may cease to be available at a reasonable cost in the future. The development and commercialization of the Company's product candidates may be delayed if Intercell is unable to recruit and retain qualified personnel or if any of the key members of the Management or scientific staff discontinues his or her employment or consulting relationship with the Company. Impairment of intangible assets may lead to substantial losses in the Company's profit and loss statement. Developments in the financial markets, such as depreciation of currencies, changes in interest rates, or price changes in debt securities could adversely affect the Company's financial condition and the results of its operations as well as its partners' ability or willingness to further develop and commercialize partnered products or impair the value of, or returns on, the Company's investments.

III. PwC Report on Review

Report on Review of Condensed Consolidated Interim Financial Statements as of June 30, 2010

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Intercell AG, Vienna, for the period from January 1 to June 30, 2010. The condensed consolidated interim financial statements comprise the condensed consolidated interim balance sheet as of June 30, 2010, the separate condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim cash flow statement and the condensed consolidated interim statement of changes in equity for the period from January 1 to June 30, 2010, as well as the explanatory notes.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the IFRS for interim financial reporting as adopted by the EU.

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

Scope of review

We conducted our review in accordance with laws and regulations applicable in Austria and in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope and involves less documentation than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

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

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

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

Vienna, August 12, 2010

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft
signed:

Aslan Milla
Austrian Certified Public Accountant

The condensed consolidated interim financial statements of Intercell AG as of June 30, 2010, the semi-annual management report for the Group and the report on review thereon have been issued in German language in accordance with Section 85 (1) Stock Exchange Law. We draw attention to the fact that this translation into English is presented for convenience purposes only and that the German wording is the only legally binding version.

Condensed consolidated interim income statement (unaudited)

EUR in thousands (except per share amounts)	Three months ended June 30,		Half year ended June 30,	
	2010	2009	2010	2009
Revenues	9,659	14,897	14,414	20,321
Product sales	5,183	2,441	5,613	2,853
Revenues from collaborations, licensing and grants	4,476	12,456	8,801	17,468
Cost of goods sold	(6,050)	(2,700)	(6,930)	(4,259)
Gross profit	3,609	12,196	7,485	16,062
Research and development expenses	(16,922)	(13,648)	(34,861)	(28,708)
General, selling and administrative expenses	(5,182)	(4,442)	(9,472)	(8,152)
Other income and expenses, net	9,509	(769)	12,840	444
OPERATING LOSS	(8,986)	(6,662)	(24,008)	(20,355)
Finance income	558	1,620	977	3,071
Finance expenses	(157)	(967)	(312)	(1,335)
LOSS BEFORE INCOME TAX	(8,585)	(6,009)	(23,343)	(18,618)
Income tax	239	2,931	296	7,364
LOSS FOR THE PERIOD	(8,346)	(3,078)	(23,048)	(11,254)
Losses per share for loss attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)	(0.17)	(0.07)	(0.48)	(0.24)

Condensed Consolidated Interim Statement Of Comprehensive Income (unaudited)

EUR in thousands	Three months ended June 30,		Half year ended June 30,	
	2010	2009	2010	2009
Loss for the period	(8,346)	(3,078)	(23,048)	(11,254)
Other comprehensive income/(loss)				
Fair value gains/(losses) on available-for-sale financial assets, net of tax	(216)	-	213	(261)
Currency translation differences	11,923	(7,500)	19,612	(1,249)
Other comprehensive income/(loss) for the period, net of tax	11,707	(7,500)	19,824	(1,509)
Total comprehensive income/(loss) for the period attributable to the owners of the Company	3,361	(10,578)	(3,224)	(12,763)

Condensed Consolidated Interim Balance Sheet (unaudited)

EUR in thousands	June 30, 2010	December 31, 2009
ASSETS		
Non-current assets	332,461	281,860
Property, plant and equipment	58,652	56,435
Intangible assets	238,039	189,656
Available-for-sale financial assets	3,991	3,784
Other non-current assets	11,508	10,622
Deferred income tax assets	20,272	21,363
Current assets	141,957	195,799
Inventory	5,552	3,441
Trade receivables and other current assets	12,594	16,123
Available-for-sale financial assets	72,539	92,024
Cash and short-term deposits	51,273	84,211
TOTAL ASSETS	474,418	477,659
EQUITY		
Capital and reserves attributable to the Company's equity holders	363,817	365,153
Nominal capital	48,480	48,480
Additional capital paid in	409,560	407,676
Other reserves	33,338	13,514
Retained earnings	(127,561)	(104,518)
LIABILITIES		
Non-current liabilities	74,806	79,609
Borrowings	38,428	38,867
Other long-term liabilities	383	382
Deferred income	25,317	30,092
Deferred income tax liabilities	10,677	10,268
Current liabilities	35,795	32,897
Trade and other payables	22,888	20,749
Borrowings	2,954	3,029
Deferred income	9,953	9,119
Total liabilities	110,601	112,506
TOTAL EQUITY AND LIABILITIES	474,418	477,659

Condensed Consolidated Interim Cash Flow Statement (unaudited)

EUR in thousands	Six months ended June 30, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(23,048)	(11,254)
Depreciation and amortization	3,401	2,620
Share-based compensation	1,889	2,096
Income tax	(296)	(7,365)
Other adjustments for reconciliation to cash used in operations	(8,042)	(1,822)
Changes in working capital	(109)	(12,206)
Cash used in operations	(26,204)	(27,931)
Interest paid	(289)	(623)
Income tax paid	(2)	(16)
Net cash used in operating activities	(26,494)	(28,570)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of other businesses	(10,000)	-
Purchases of property, plant and equipment	(2,285)	(4,150)
Proceeds from sale of property, plant and equipment	-	1,647
Cash outflow for security deposit in connection with finance lease	(858)	(319)
Purchases of intangible assets	(6,290)	(8,254)
Purchases of financial assets	(12,519)	-
Proceeds from sale of financial assets	20,000	16,250
Interest received	539	2,164
Net cash generated from/(used in) investing activities	(11,413)	7,339
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of costs of equity transactions	(118)	(3)
Proceeds from borrowings	303	1,590
Repayment of borrowings	(997)	(986)
Net cash generated from/(used in) financing activities	(811)	602
Net decrease in cash	(38,719)	(20,629)
Cash at beginning of the period	84,211	29,896
Exchange gains/(losses) on cash	(7,687)	534
Cash at end of the period	37,806	9,801
Cash, short-term deposits and marketable securities at end of the period	127,802	154,390

Condensed Consolidated Interim Statement Of Changes In Equity (Unaudited)

EUR in thousands	Nominal capital	Additional capital paid in	Other reserves	Retained earnings	Total equity
Balance as of January 1, 2009	47,235	373,423	15,696	(86,121)	350,233
Total comprehensive loss for the first six months of fiscal year 2009	-	-	(1,509)	(11,254)	(12,763)
Employee share option plan - value of employee services	-	2,096	-	-	2,096
Deferred tax on share option scheme	-	-	-	10	10
Cost of equity transactions, net of tax	-	(3)	-	-	(3)
	-	2,093	(1,509)	(11,244)	(10,660)
Balance as of June 30, 2009	47,235	375,516	14,187	(97,365)	339,573
Balance as of January 1, 2010	48,480	407,676	13,514	(104,518)	365,153
Total comprehensive income/(loss) for the first six months of fiscal year 2010	-	-	19,824	(23,048)	(3,224)
Employee share option plan - value of employee services	-	1,889	-	-	1,889
Deferred tax on share option scheme	-	-	-	4	4
Cost of equity transactions, net of tax	-	(5)	-	-	(5)
	-	1,884	19,824	(23,043)	(1,335)
Balance as of June 30, 2010	48,480	409,560	33,338	(127,561)	363,817

Selected notes to the condensed consolidated interim financial statements (unaudited)

1. Basis of preparation

These condensed consolidated interim financial statements of Intercell AG (the "Company") for the six months ended June 30, 2010, have been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34). The accounting policies adopted are consistent with those of the consolidated annual financial statements for the year ended December 31, 2009. These condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2009.

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

2. Segment reporting

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

3. Fluctuation of revenues

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

4. Intangible assets

EUR in thousands	Software	In-process R&D	Development costs	Advance payments	Total
As of January 1, 2009	487	182,465	-	-	182,953
Exchange rate differences	(2)	(2,511)	-	-	(2,513)
Additions	288	3,013	4,727	-	8,028
Disposals	-	-	-	-	-
Amortization charge	(155)	(46)	(51)	-	(252)
As of June 30, 2009	620	182,922	4,675	-	188,217
As of June 30, 2009					
Cost	1,366	182,967	4,727	-	189,060
Accumulated amortization	(746)	(46)	(51)	-	(843)
Net book value	620	182,922	4,675	-	188,217
As of January 1, 2010	686	180,612	8,282	76	189,656
Exchange rate differences	30	27,561	183	-	27,774
Business combination (note 5)	-	14,983	-	-	14,983
Additions	189	456	5,705	-	6,350
Reclassification	76	-	-	(76)	-
Disposals	-	-	-	-	-
Amortization charge	(180)	(204)	(339)	-	(723)
As of June 30, 2010	801	223,408	13,830	-	238,039
As of June 30, 2010					
Cost	1,907	223,758	14,406	-	240,071
Accumulated amortization	(1,106)	(350)	(576)	-	(2,032)
Net book value	801	223,408	13,830	-	238,039

5. Business Combinations

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

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

Details of net assets acquired are as follows:

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

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

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

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

6. Subsequent events

In connection with the exercise of stock options by members of the Management Board, Supervisory Board and employees, the Company issued 111,733 new shares and transferred 32,500 shares of treasury stock to the beneficiary option holders in July 2010.

Vienna, August 12, 2010

The Management Board

GERD ZETTLMEISSL, CEO

THOMAS LINGELBACH, COO

REINHARD KANDERA, CFO

The condensed consolidated interim financial statements of Intercell AG as of June 30, 2010 and the report on review thereon have been issued in German language in accordance with Section 85 (1) Stock Exchange Law. We draw attention to the fact that this translation into English is presented for convenience purposes only and that the German wording is the only legally binding version.

Statement of all Members of the Management Board pursuant to Section 87 (1) of the Austrian Stock Exchange Act

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

Vienna, August 12, 2010

The Management Board

GERD ZETTLMEISSL, CEO

THOMAS LINGELBACH, COO

REINHARD KANDERA, CFO

Intercell AG

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1030 Vienna
Austria

be invited to: www.intercell.com