intercell
SMART VACCINES

Intercell AG

Report on Q2 | H1 2011

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INTERCELL ANNOUNCES Q2 AND H1 2011 FINANCIAL RESULTS AND PROVIDES AN UPDATE ON EXECUTION OF STRATEGIC PLAN
IXIARO®/JESPECT® SALES GROWTH UP BY 85% IN H1 2011
NET LOSS REDUCED BY 80% IN Q2 AND BY 44% IN H1 2011
USD 6.0M MILESTONE PAYMENT RECEIVED FROM MERCK & CO., INC. FOR S. AUREUS INTERIM DATA

IXIARO®/JESPECT® sales total EUR 7.0m, generating the best ever quarterly results since launch

- Revenue growth trend for IXIARO®/JESPECT® confirmed by year-on-year sales growth of 84.9% in H1 2011
- Sales driven by strong uptake in military segment and significant growth in key travel markets
- IXIARO®/JESPECT® revenues expected to meet full-year 2011 growth rate of at least 60-70%
- Pediatric development program on track – enrollment for Phase III licensure study completed
- Partner Biological E. progressing well with Indian Phase II/III study towards pivotal data and regulatory submission
- Following a batch-specific IXIARO® recall in Q2 2011, Intercell is working on a comprehensive investigation and root cause analysis in order to execute against a subsequent EMA Article 20 procedure*

  ** under Regulation (EC) No 726/2004*

Update on Staphylococcus aureus (V710) vaccine candidate

- USD 6.0m milestone payment received from partner Merck & Co., Inc. for meeting non-futility criteria in the discontinued Phase II/III clinical trial of investigational S. aureus vaccine
- Ongoing analyses of the Phase II/III study results and evaluation of potential future approaches in the field of S. aureus by Intercell and Merck & Co., Inc.

R&D programs progressing

- **Pseudomonas:** Phase II/III – trial preparation activities progressing towards study start in early 2012
- **C. difficile:** Phase I trial on track – first study results expected before the end of 2011
- **Pandemic Influenza Vaccine Enhancement Patch (VEP):** Phase I enrollment ongoing – first safety analysis completed – final data expected mid-2012
- **Tuberculosis:** Start of Phase II study expected before the end of 2011
- Phase I clinical study (undisclosed indication) by Novartis with adjuvant **IC31®** ongoing
- **Hepatitis C:** Partner Romark still awaiting regulatory clearance for study initiation

Progress on renewal strategy execution

Key four pillars striving towards financial self-sustainability in the mid-term:

- Revenue growth: JEV sales up 84.9% – sales growth guidance 60-70% maintained
- Operational and financial discipline: loss reduced to EUR 1.6m in Q2 2011 (full year loss expectation 30-40m maintained) – restructuring and site consolidation on track
- Capital-efficient pipeline investments: R&D costs reduced by 57.7% (in H1 2011 compared to H1 2010) – pipeline re-focusing completed
- Leverage partnerships: Merck & Co., Inc. milestone received, next steps under evaluation – ongoing discussions with potential partners (eMabs®, patch, IC31®)

Corporate/Other

- French Prix Galien 2011 awarded to IXIARO® in the category "Medicines available solely in international vaccination centers"

Financial Results

- Year-on-year revenue growth of 31.3% in Q2 2011 driven by strong IXIARO®/JESPECT® sales revenues
- Restructuring progressing successfully – cost reduction by 57.7% in R&D and 21.9% in S,G&A in H1 2011
- Net loss reduction by 80.7% to EUR 1.6m in Q2 2011 and by 44.2% to EUR 12.9m in H1 2011
- Cash position of EUR 79.6m at quarter-end – significant reduction of cash-outflow
- Unchanged net loss expectation of EUR 30-40m for full year 2011

Key Financial Information

EUR in thousands	3 months ended		6 months ended		Year ended
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	Dec 31, 2010
Revenues	12,686	9,659	18,377	14,414	34,215
Net loss	(1,608)	(8,346)	(12,866)	(23,048)	(255,182)
Net operating cash flow	(5,452)	(11,026)	(28,905)	(26,494)	(65,120)
Cash and marketable securities, end of period	79,649	127,802	79,649	127,802	86,182

Company Profile

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

Intercell's vaccine to prevent Japanese Encephalitis (JE) is the Company's first product on the market.

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

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

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® – Best ever quarterly sales exceed EUR 7m

Two years after the global launch of Intercell's vaccine against Japanese Encephalitis, the product is showing strong year-on-year revenue growth. In H1 2011, the IXIARO®/JESPECT® sales were up 84.9% compared to H1 2010 resulting in the best quarterly sales since launch of the product. This was made possible through a strong uptake in the military sector and strong growth in key travel markets such as the U.S. and the UK. Hence Intercell is on track to meet its expectation of full-year 2011 growth rate of at least 60-70%.

Together with its distribution partner Novartis, Intercell will continue to focus resources to further increase penetration in the key markets, the military sector, and expand into new territories. As previously announced, the approval for the vaccine against Japanese Encephalitis for Hong Kong was obtained, and product market launch is imminent. The approval for Singapore is expected in the next months, and the first application for approval in South America has also been submitted.

Enrollment for the Phase III clinical study for the IXIARO® pediatric label extension is completed. The pediatric approval is expected by the end of 2012 or beginning of 2013.

Leveraging the product into the Asian endemic markets for IXIARO® will complement the global territory expansion. The pivotal Phase II/III trial in children living in India is the first study for the Intercell vaccine in an endemic region and is designed to lead to Asian licensure of the product. Since the study has been fully enrolled and is progressing according to plan, partner Biological E. Ltd. is moving towards submission for licensure in India, with a planned launch in 2012. The vaccine is manufactured in India by Biological E. Ltd. and is based on Intercell's technology. The WHO recommends that the Japanese Encephalitis vaccination be integrated into national immunization programs in endemic areas.

Following an "Out of Specification" result in a follow-up test for potency of IXIARO® lot JEV09L37 after a period of 11 months, Novartis and Intercell initiated a batch-specific, voluntary recall in Canada (March), Europe (May) and Australia (May), in close coordination with the relevant authorities. Vaccinee safety is of primary importance to Intercell, and re-vaccination was initiated for individuals who had received vaccine from the respective lot.

In addition, Intercell is performing a comprehensive investigation and root cause analysis in order to reduce the risk for further potential recalls, regulatory actions or batch-specific measures in the future. These activities as well as other relevant measures and clinical implications are overseen and governed by the EMA (European Medicines Agency) under a procedure according to Article 20 of the Commission Regulation (EC) 726/2004. Novartis and Intercell are working closely with the authorities to execute against the regulatory requirements.

Update on Staphylococcus aureus (V710): Intercell receives milestone payment from Merck & Co., Inc.

Following a detailed analysis of the data from the Phase II/III clinical trial evaluating V710, an investigational vaccine for the prevention of *Staphylococcus aureus* (*S. aureus*) infections, the external Data Monitoring Committee (DMC) unanimously recommended the termination of the study. On June 8, 2011, Merck & Co., Inc. (Merck) and Intercell announced the termination of the trial.

After a pre-planned meeting in April, the DMC informed Merck that the trial had not met the formal futility criteria. The DMC recommended suspension of enrollment in the Phase II/III clinical trial pending completion of additional analyses by Merck regarding benefits and risks of vaccination. Following further review of the statistical analyses by the DMC – which also considered events that had occurred after the pre-specified data cutoff date utilized for the April meeting –, the recommendation to terminate was made based upon both the observation that V710 was unlikely to demonstrate a statistically significant clinical benefit as well as a safety concern regarding overall mortality and multi-organ dysfunction that occurred with greater frequency in vaccine recipients, compared to placebo recipients. Additional analyses showed that this safety difference was not found to be statistically significant and was also determined not to warrant any action beyond routine safety follow-up.

However, as the trial did meet the pre-specified criteria for non-futility, Intercell received the related USD 6.0m milestone payment from Merck. Furthermore, Intercell and Merck are currently evaluating potential future approaches in the field of *S. aureus* under the existing licensing agreement.

Focus on core R&D programs

Pseudomonas aeruginosa infections – A high unmet medical need

Intercell and its partner Novartis are preparing for a pivotal clinical efficacy trial of the *Pseudomonas aeruginosa* vaccine candidate 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 control group and expects to enroll approximately 800 subjects.

The study is subject to final regulatory concurrence. The trial preparation activities are progressing towards a study start in early 2012, and first interim data is expected in 2013. Intercell's *Pseudomonas aeruginosa* vaccine program is one of the development programs within the strategic alliance between Intercell and Novartis. The trial costs will be shared with Novartis.

The trial will compare two study groups, both receiving standard of care in addition to the vaccine or placebo. The subjects in the vaccine group, which will comprise about 400 ventilated ICU patients, will be vaccinated twice within a 7-day interval with the non-adjuvanted product formulation that was found to have the highest impact on observed survival. The primary endpoint of the trial will be mortality at day 28 after first vaccination in both study groups. Secondary objectives are to investigate *Pseudomonas aeruginosa* infections and infection-related mortality as well as immune response to the vaccine candidate and its safety and tolerability. The trial is expected to be conducted in various countries, predominantly within the EU, involving up to 50 study sites.

Clostridium difficile vaccine candidate – Leading cause of nosocomial diarrhea

C. difficile is the main cause for nosocomial diarrhea in Europe and the U.S. It is estimated that in the U.S. alone, about 500,000 to three million people become infected every year while receiving hospital treatment. Currently, no vaccine against *C. difficile* exists and antibiotic treatment of the established disease has significant limitations.

Intercell aims at developing a vaccine for the prevention of recurring *C. difficile* diarrhea for hospital prophylaxis and eventually a community-wide prophylaxis on an age- and risk-based vaccination strategy. The Phase I clinical study started at the end of 2010 and is progressing according to plan. First study results are expected for 2011.

Pandemic Influenza Vaccine Enhancement Patch (VEP) – Pursuing confirmatory mode of action trial with GSK antigen

Intercell started a further trial in the field of Pandemic Influenza, using Intercell's adjuvant patch (Vaccine Enhancement Patch – VEP) containing LT (a heat-labile toxin from E. coli) in combination with GlaxoSmithKline's (GSK) H5N1 pandemic antigen.

The enrollment for the confirmatory Phase I trial is ongoing and a first safety analysis has been completed. The study will involve 300 healthy adults and will investigate various combinations of antigen and patch doses in one and two injection regimes to confirm the mode of action and the value of "external" adjuvantation. GSK's adjuvanted and licensed H5N1 vaccine will be used to provide a positive control for the patch. Final data are expected by mid-2012.

Additional candidate vaccines with high medical need progressing in development

- **Tuberculosis:** The start of a Phase II study is expected in 2011. The Phase I clinical programs are proceeding according to schedule, and promising clinical data have been obtained in multiple other Phase I studies.
- **IC31® adjuvant:** The Phase I clinical trial (undisclosed indication) with Intercell's adjuvant IC31®, initiated by Novartis, is ongoing. In 2007, Novartis acquired a non-exclusive license for the use of IC31® in selected new vaccines.
- **Pneumococcus vaccine:** As part of Intercell's pipeline prioritization, the development of a Pneumococcus vaccine candidate has been put on hold.
- **Hepatitis C:** Intercell and Romark joined forces in combining therapies against Hepatitis C. Romark is still awaiting regulatory clearance for study initiation of a combination Phase II trial which is expected to start in H2 2011. The trial is fully funded by Romark.

Progress on renewal strategy execution

In June 2011, Intercell announced the key elements of the Company's renewal strategy, aiming at creating shareholder value by balancing pipeline investments with financial performance objectives. The renewal strategy is to strive towards financial self-sustainability in the mid-term by pursuing a combination of the following four key pillars:

1. Revenue growth
2. Pipeline investments
3. Operational and financial discipline
4. Leveraging partnerships

First strategic initiatives have already been implemented, and due to the best quarterly sales result of IXIARO®/JESPECT® (up 85% in H1 2011 compared to H1 2010), the Company achieved significant revenue growth. Hence, Intercell is on track to meet its expectation of a full-year 2011 growth rate of at least 60-70%.

Continuous focusing of pipeline investments resulted in a reduction of R&D costs by 57.7% in H1 2011 compared to H1 2010 based on a completed pipeline refocusing process. The net loss reduction to EUR 1.6m in Q2 2011 was driven by higher JEV revenues, strong operational and financial discipline achieved through restructuring and the revenue effect of the milestone payment by Merck & Co., Inc.

Intercell is continuously leveraging partnerships as evidenced by the recent milestone payment by Merck & Co., Inc.

Corporate/Other

In May 2011, IXIARO®, the Company's vaccine against Japanese Encephalitis (JE), was awarded the French Prix Galien 2011 in the category "Medicines available solely in international vaccination centers". This prestigious award aims to promote significant advances in pharmaceutical research. The award is made each year by a committee of independent experts and eminent specialists recognizing important healthcare treatment innovations introduced into the public market.

Financial Review Q2 2011

Revenues

Intercell's aggregate second-quarter 2011 revenues increased by 31.3%, compared to the same period of the previous year to EUR 12.7m. This increase was driven by the highest quarterly product sales of IXIARO®/JESPECT® since launch of EUR 7.0m and by an increase in revenues from collaborations and licensing of EUR 1.9m to EUR 5.6m, mainly due to the USD 6.0m milestone payment received from Merck & Co., Inc.

Grant income decreased by EUR 0.8m to EUR 0.1m primarily due to reduced expenses on grant-funded programs.

Operating results

Cost of goods sold for Q2 2011 amounted to EUR 5.0m (Q2 2010: EUR 6.1m) again yielding a positive gross margin on the Japanese Encephalitis product.

Research and development expenses for Q2 2011 decreased by EUR 10.1m or 59.7% to EUR 6.8m (Q2 2010: EUR 16.9m). The decrease primarily resulted from the implementation of a restructuring and cost-saving program, which was announced in December 2010.

General, selling and administrative expenses for Q2 2011 decreased by 39.1% to EUR 3.2m (Q2 2010: EUR 5.2m), mainly due to a reduction in consulting and service fees and adjustments relating to stock options expenses.

Net other operating income for Q2 2011 was EUR 0.8m (Q2 2010: EUR 9.5m). Other operating income in the comparative period of 2010 included significant effects from exchange rate fluctuations, which did not occur in Q2 2011.

Restructuring costs of EUR 1.0m in Q2 2011 resulted from a provision in connection with the Company's announced R&D site consolidation strategy.

Intercell's operating loss for Q2 2011 decreased by 73.1% to EUR 2.4m (Q2 2010: EUR 9.0m). This improvement is a result of increased revenues and the significant reduction in operating expenses as part of the Company's announced restructuring and renewal strategy.

Net result, finance and tax

The positive net finance result of EUR 0.8m in Q2 2011 (Q2 2010: EUR 0.4m) was predominantly due to a fair-value gain on the increase option component of the convertible notes issued in Q1 2011, which was partly offset by unrealized losses on financial assets. No income tax income or expenses were recorded in Q2 2011 (Q2 2010: EUR 0.2m income tax income).

The net loss for Q2 2011 was EUR 1.6m (Q2 2010: EUR 8.3m) representing an improvement of EUR 6.7m, or a decrease by 80.7%, compared to Q2 2010. The net loss per share for Q2 2011 was EUR 0.03 (Q2 2010: EUR 0.17).

Financial Review H1 2011

Revenues

Intercell's aggregate H1 2011 revenues increased by 27.5% compared to the same period of the previous year to EUR 18.4m. This increase was driven by strong product sales from IXIARO®/JESPECT® of EUR 10.4m in H1 2011 representing a year-on-year growth of 84.9%.

Revenues from collaborations and licensing increased by EUR 0.8m to EUR 7.5m in H1 2011.

Grant income decreased by EUR 1.6m to EUR 0.5m due to reduced expenses on grant-funded programs.

Operating results

Cost of goods sold for H1 2011 amounted to EUR 7.8m (H1 2010: EUR 6.9m) yielding a positive gross margin on the Japanese Encephalitis product.

Research and development expenses for H1 2011 decreased by EUR 20.1m, or 57.7% to EUR 14.8m (H1 2010: EUR 34.9m). The decrease mainly resulted from the implementation of a restructuring and cost-saving program, which was announced in December 2010.

General, selling and administrative expenses for H1 2011 decreased by 21.9% to EUR 7.4m (H1 2010: EUR 9.5m) primarily due to lower consulting and service expenses and adjustments relating to stock options expenses.

Net other operating income for H1 2011 was EUR 0.2m (Q2 2010: EUR 12.8m) and did not include significant effects from exchange rate fluctuations as compared to the same period in 2010.

Restructuring costs of EUR 1.0m in H1 2011 resulted from the Company's announced R&D site consolidation in Q2 2011.

Intercell's operating loss for H1 2011 decreased by 48.1% to EUR 12.5m (Q2 2010: EUR 24.0m) reflecting consistent revenue growth from sales of IXIARO®/JESPECT® and significant progress in the reduction of operating expenses.

Net result, finance and tax

The net finance result was plus EUR 0.1m in H1 2011 (H1 2010: plus EUR 0.7m). Income tax expense was EUR 0.5m in H1 2011 (H1 2010: EUR 0.3m income tax income).

The net loss for H1 2011 was EUR 12.9m (H1 2010: EUR 23.0m), representing an improvement of EUR 10.2m, or 44.2%, compared to H1 2010. The net loss per share for H1 2011 was EUR 0.27 (H1 2010: EUR 0.48).

Cash flows and liquidity

Intercell's net cash used in operating activities for the first six months of 2011 was EUR 28.9m (H1 2010: EUR 26.5m) of which EUR 23.5m incurred in Q1 2011 and EUR 5.5m incurred in Q2. The operating cash outflow in H1 2011 resulted primarily from changes in working capital in Q1 2011, resulting in particular from the high level of trade payables and accrued expenses at the end of Q4 2010. The significant reduction of operating cash out-flow in the second quarter reflects the progress in operational restructuring and revenue growth.

Cash generated from investing activities for H1 2011 amounted to EUR 0.6m (H1 2010: cash used in investing activities of EUR 11.4m).

Cash generated from financing activities in H1 2011 was EUR 30.0m (H1 2010: EUR 0.8m net cash used in financing activities) and resulted mainly from the issuance of convertible bonds in March 2011. For additional information, see "Notes to condensed Interim Consolidated Financial Statements" within this Interim Report.

Liquid funds, which included cash of EUR 29.7m and marketable securities of EUR 49.9m at the end of June 2011 amounted to EUR 79.6m (December 31, 2010: EUR 86.2m).

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, including during the second half of 2011, to significant risks, in particular including the following:

The Company needs to gain market acceptance for its first product in order to recover significant development costs that it has incurred. Intercell may be unable to successfully market and sell its Japanese Encephalitis vaccine and to develop and commercialize its product candidates as expected or at all. The ability to commercialize product candidates will depend upon the degree of market acceptance among Intercell's primary customers, the customers of Intercell's strategic partners and the medical community. Demand for Intercell's JE vaccine may be adversely affected by international, national or local events or economic conditions that affect consumers' willingness to travel, such as security concerns relating to threatened or actual terrorist attacks or armed conflicts or recent 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 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.

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 its growth as well as any failure to successfully integrate businesses acquired in the future may have a material adverse effect on the Company's business, financial condition, and results of operations. In addition, the Company's clinical trial liability and product liability insurance coverage may not be sufficient to cover liability or product liability claims, which Intercell may incur as a result of the use of its product candidates in clinical trials or the sale of current and future products, or may cease to be available at a reasonable cost in the future. The development and commercialization of the Company's product candidates may be delayed if Intercell is unable to recruit and retain qualified personnel or if any of the key members of the Management or scientific staff discontinues his or her employment or consulting relationship with the Company.

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

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

In addition, operating results may be negatively affected by exposure to foreign exchange and other economic risk factors.

Intercell AG may not be able to use tax loss carry-forwards to offset future taxable income and as a consequence may face higher future tax obligations than expected and/or may have to repay tax credits.

Report on Review of Condensed Consolidated Interim Financial Statements as of June 30, 2011

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Intercell AG, Vienna, for the period from January 1 to June 30, 2011. The condensed consolidated interim financial statements comprise the condensed consolidated interim balance sheet as of June 30, 2011, 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, 2011, 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 11, 2011

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:

Aslan Milla
Austrian Certified Public Accountant

The condensed consolidated interim financial statements of Intercell AG, Vienna, as of June 30, 2011 and the report on review thereon have been issued in German language. 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,	
	2011	2010	2011	2010
Revenues	12,686	9,659	18,377	14,414
Product sales	7,029	5,183	10,378	5,613
Revenues from collaborations, licensing and grants	5,657	4,476	8,000	8,801
Cost of goods sold	(4,955)	(6,050)	(7,821)	(6,930)
Gross profit	7,731	3,609	10,556	7,485
Research and development expenses	(6,820)	(16,922)	(14,756)	(34,861)
General, selling and administrative expenses	(3,158)	(5,182)	(7,396)	(9,472)
Other income and expenses, net	847	9,509	151	12,840
Restructuring and impairment	(1,021)	-	(1,021)	-
OPERATING LOSS	(2,421)	(8,986)	(12,466)	(24,008)
Finance income	2,609	558	2,193	977
Finance expenses	(1,759)	(157)	(2,118)	(312)
LOSS BEFORE INCOME TAX	(1,572)	(8,585)	(12,391)	(23,343)
Income tax	(36)	239	(475)	296
LOSS FOR THE PERIOD	(1,608)	(8,346)	(12,866)	(23,048)
Losses per share for loss attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)	(0.03)	(0.17)	(0.27)	(0.48)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

EUR in thousands	Three months ended June 30,		Half year ended June 30,	
	2011	2010	2011	2010
Loss for the period	(1,608)	(8,346)	(12,866)	(23,048)
Other comprehensive income				
Fair value gains/(losses) on available-for-sale financial assets	916	(216)	1,298	213
Currency translation differences	219	11,923	586	19,612
Other comprehensive income for the period, net of tax	1,135	11,707	1,884	19,824
Total comprehensive income/(loss) for the period attributable to the owners of the Company	(473)	3,361	(10,981)	(3,224)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)

EUR in thousands	June 30, 2011	December 31, 2010
ASSETS		
Non-current assets	121,358	125,873
Property, plant and equipment	46,241	48,194
Intangible assets	63,677	61,491
Available-for-sale financial assets	-	4,237
Other non-current assets	11,441	11,478
Deferred income tax assets	-	473
Current assets	101,148	99,347
Inventory	9,354	6,423
Trade receivables and other current assets	12,145	10,979
Available-for-sale financial assets	49,939	55,024
Cash and short-term deposits	29,710	26,921
TOTAL ASSETS	222,507	225,220
EQUITY		
Capital and reserves attributable to the Company's equity holders	109,848	121,082
Nominal capital	48,592	48,592
Additional capital paid in	407,678	407,965
Other reserves	26,181	24,262
Retained earnings	(372,603)	(359,737)
LIABILITIES		
Non-current liabilities	72,811	54,731
Borrowings	56,070	37,461
Other long-term liabilities	248	312
Deferred income	16,102	16,549
Deferred income tax liabilities	391	410
Current liabilities	39,847	49,407
Trade and other payables and accruals	16,262	32,675
Borrowings	13,979	3,361
Other financial liabilities	-	-
Deferred income	6,011	7,301
Provisions	3,595	6,071
Total liabilities	112,659	104,138
TOTAL EQUITY AND LIABILITIES	222,507	225,220

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED)

EUR in thousands	Half year ended June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(12,866)	(23,048)
Depreciation and amortization	3,806	3,401
Share-based compensation	(287)	1,889
Income tax	475	(296)
Other adjustments for reconciliation to cash used in operations	(541)	(8,042)
Changes in working capital	(18,917)	(109)
Cash used in operations	(28,329)	(26,204)
Interest paid	(449)	(289)
Income tax paid	(127)	(2)
Net cash used in operating activities	(28,905)	(26,494)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of other businesses	(5,000)	(10,000)
Purchases of property, plant and equipment	(551)	(2,285)
Proceeds from sale of property, plant and equipment	16	-
Cash outflow for security deposit in connection with finance lease	-	(858)
Purchases of intangible assets	(4,315)	(6,290)
Purchases of financial assets	-	(12,519)
Proceeds from sale of financial assets	10,038	20,000
Interest received	362	539
Net cash generated from/(used in) investing activities	550	(11,413)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of costs of equity transactions	-	(118)
Proceeds from issuance of convertible bonds, net of transaction costs	32,417	-
Proceeds from borrowings	230	303
Repayment of borrowings	(2,598)	(997)
Net cash generated from/(used in) financing activities	30,049	(811)
Net increase/(decrease) in cash	1,694	(38,719)
Cash at beginning of the period	26,904	84,211
Exchange gains/(losses) on cash	1,094	(7,687)
Cash at end of the period	29,692	37,806
Cash, short-term deposits and marketable securities at end of the period	79,649	127,802

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, 2010	48,480	407,676	13,514	(104,518)	365,153
Total comprehensive loss for the first half 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
Balance as of January 1, 2011	48,592	407,965	24,262	(359,737)	121,082
Total comprehensive loss for the first half year 2011	-	-	1,884	(12,866)	(10,981)
Employee share option plan - value of employee services	-	(287)	-	-	(287)
Option premium on convertible note	-	-	35	-	35
Cost of equity transactions, net of tax	-	-	(1)	-	(1)
	-	(287)	1,919	(12,866)	(11,233)
Balance as of June 30, 2011	48,592	407,678	26,181	(372,603)	109,848

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 first half year ended June 30, 2011, 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, 2010. These condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2010.

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. Convertible note

On February 23, 2011 the Company announced the placement of EUR 33.0 million of Senior Unsecured Convertible Notes (the "Notes") in a private placement transaction. The Notes have a conversion price of EUR 11.43 and bear a fixed rate coupon of 6% per annum, which is payable quarterly in arrears. Principal and interest payments may be paid in cash or, subject to minimum thresholds in trading volume and values, in freely tradable listed shares of Intercell, at the sole option of the Company. The holders of the Notes may, at their sole option, choose to defer quarterly payments of principal though the final scheduled maturity of the Notes. The original investors in the Notes will have the right to purchase an additional EUR 33.0 million of Notes on essentially the same terms as the original issue for a period of 12 months following the closing and an additional EUR 16.5 million of Notes at the same coupon and repayment terms, but with a conversion price to be set at a 20% premium to the then current stock price, for a period of 18 months following the closing.

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

EUR in thousands	Liability component	Equity compontent	Increase option	Total
Proceeds of issue	31,340	35	1,625	33,000
Transaction costs	(554)	(1)	(29)	(583)
Net Proceeds of issue	30,786	35	1,596	32,417
Valuation change	898	-	(1,596)	(698)
Valuation at June 30, 2011	31,684	35	-	31,719
Less non-current portion	(19,189)			
Current portion	12,495			

Vienna, August 11, 2011

The Management Board:

THOMAS LINGELBACH, CEO

MUSTAPHA LEAVENWORTH BAKALI, CBO

REINHARD KANDERA, CFO

The condensed consolidated interim financial statements of Intercell AG, Vienna, as of June 30, 2011 and the report on review thereon have been issued in German in accordance with Article 85 (1) of the Austrian Stock Exchange Act. We draw attention to the fact that this translation into English is presented for convenience purposes only and that the German wording is the only legally binding version.

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

We confirm to the best of our knowledge that the condensed interim financial 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 11, 2011

The Management Board:

THOMAS LINGELBACH, CEO

MUSTAPHA LEAVENWORTH BAKALI, CBO

REINHARD KANDERA, CFO

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This communication expressly or implicitly contains certain forward-looking statements concerning Intercell AG and its business, including words such as "could," "should," "may," "expects," "anticipates," "believes," "intends," "estimates," or similar words. Such statements involve certain known and unknown risks, uncertainties and other factors which could cause the actual results, financial condition, performance or achievements of Intercell AG to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Intercell AG is providing this communication as of this date and does not undertake to update any forward-looking statements contained herein as a result of new information, future events or otherwise.