intercell
SMART VACCINES

Financial Statements of

Intercell AG

as of December 31, 2012

according to UGB (Austrian GAAP)

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Balance sheet as of December 31, 2012

Assets

	12/31/2012 EUR	12/31/2011 EUR '000
A. Fixed assets		
I. Intangible assets		
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	14,114,075.80	15,095
2. Book value added by a merger	12,364,220.08	12,364
3. Prepayments	0.00	2
	26,478,295.88	27,461
II. Tangible assets		
1. Leasehold improvements	222,281.01	167
2. Machinery and equipment	1,288,500.79	1,843
3. Other equipments, factory and office equipment	172,423.08	253
4. Prepayments and construction in progress	0.00	68
	1,683,204.88	2,332
III. Financial assets		
Shares in affiliated companies	4,550,655.54	4,344
	32,712,156.30	34,137
B. Current assets		
I. Inventory	71,890.42	58
II. Accounts receivable and other current assets		
1. Trade accounts receivable	5,472,725.99	4,630
2. Accounts receivable from affiliated companies	27,550,298.02	28,285
3. Other assets	15,754,428.89	16,613
	48,777,452.90	49,528
III. Securities and shares		
1. Treasury stock	493,431.55	493
2. Other securities	32,768,402.38	34,337
	33,261,833.93	34,830
IV. Cash on hand, bank balances	6,663,740.39	11,831
	88,774,917.64	96,247
C. Prepaid expenses and deferred charges	1,073,371.96	1,773
	122,560,445.90	132,158

Equity and liabilities

	12/31/2012 EUR	12/31/2011 EUR '000
A. Shareholders' equity		
I. Share capital	55,183,961.00	48,592
II. Capital reserve		
1. Appropriated	2,404,362.13	337,164
2. Unappropriated	0.00	40,004
	2,404,362.13	377,168
III. Stock option reserve	7,201,828.00	10,205
IV. Earnings reserve		
1. Statutory reserve	12,184.20	12
2. Other reserves (free reserves)	2,746,974.00	5,936
	2,759,158.20	5,948
V. Reserve for treasury stock	493,431.55	493
VI. Cumulative losses		
thereof prior period cumulative losses brought forward EUR 371,962,318.82 (prior year: EUR 304,266k)	-11,747,766.84	-371,962
	56,294,974.04	70,445
B. Accruals and provisions		
1. Other accruals	8,572,694.53	8,031
C. Liabilities		
1. Convertible notes	15,200,000.00	27,200
2. Liabilities from loans	20,000,000.00	0
3. Liabilities due to banks	4,311,255.00	3,812
4. Trade accounts payable	1,356,099.40	2,441
5. Other payables	1,664,736.50	1,964
of which taxes EUR 262,682.41 (prior year: EUR 111k), of which social security payables EUR 183,725.81 (prior year: EUR 199k)		
	42,532,090.90	35,418
D. Deferred income	15,160,686.43	18,264
	122,560,445.90	132,158

Guarantees and contingent liabilities 75,792.03 77

Income statement for the fiscal year 2012

	2012	2011
	EUR	EUR '000
1. Revenues	35,480,765.08	33,752
2. Other operating income		
a) Proceeds from the disposal of fixed assets except financial assets	93,302.82	8
b) Other	4,195,532.44	7,187
	4,288,835.26	7,195
3. Cost of materials and purchased services		
a) Cost of materials	-22,034,823.53	-16,131
b) Cost of purchased services	-9,958,159.53	-12,615
	-31,992,983.06	-28,746
4. Personnel expenses		
a) Wages and salaries	-9,316,345.81	-11,469
b) Expenses for leaving indemnities and contributions to leaving indemnity funds (multi-employer defined contribution plans)	-322,971.95	-347
c) Expenses for retirement benefits	-35,687.87	-35
d) Expenses for statutory social security, payroll-related taxes and mandatory contributions	-2,028,416.87	-2,391
e) Other social benefits	-298,886.78	-309
	-12,002,309.28	-14,552
5. Depreciation and amortization		
a) of fixed intangible and tangible assets	-2,026,369.05	-5,454
b) of current assets, as far as they exceed normal depreciation and amortization within the company	0.00	-14,912
	-2,026,369.05	-20,366
6. Other operating expenses		
a) Taxes other than income tax	-217,898.75	-68
b) Other	-21,236,345.37	-19,940
	-21,454,244.12	-20,008
7. Subtotal of lines 1 to 6 (Operating result)	-27,706,305.17	-42,725
8. Other interest and similar income, of which from affiliated companies EUR 884,587.61 (prior year: EUR 632k)	1,715,668.24	2,130
9. Income from the disposal and write-up of fixed financial assets and current securities, thereof relating to affiliated companies EUR 156,196.00 (prior year: EUR 0k)	1,516,493.10	328
10. Expenses from financial assets and current securities, thereof relating to affiliated companies EUR 0.00 (prior year: EUR 23,988k)	-1,149,054.48	-24,824
11. Interest and other expenses	-3,427,435.25	-2,654
12. Subtotal of lines 8 to 11 (Financial result)	-1,344,328.39	-25,020
13. Net operating loss	-29,050,633.56	-67,745
14. Income tax	-3,500.00	49
15. Net loss for the period	-29,054,133.56	-67,696
16. Release of capital reserve	383,332,930.55	0
17. Release of earnings reserve	5,935,754.99	0
18. Release of stock option reserve	2,746,974.00	5,936
19. Allocation to other reserves	-2,746,974.00	-5,936
20. Prior period cumulative losses brought forward	-371,962,318.82	-304,266
21. Cumulative losses	-11,747,766.84	-371,962

Notes

to the

Financial Statements

as of December 31, 2012

INTERCELL AG

Campus Vienna Biocenter 3

1030 Vienna, Austria

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1 General principles

These financial statements as of December 31, 2012 have been prepared in accordance with the accounting principles of the Austrian Commercial Code (UGB) in its currently applicable version.

The financial statements, prepared under **Austrian Generally Accepted Accounting Principles,** present a true and fair view of the assets and liabilities, the financial situation of the Company as of December 31, 2012, as well as the results of its operations for the year then ended.

Accounting and valuation methods are based on the Generally Accepted Accounting Principles. Section 201 (2) UGB was adhered to, as were the provisions on classification and valuation of balance sheet and income statement items under Sections 195-211 and 222-235 UGB. The income statement was prepared using the total expenditure format.

In June 2010, Intercell AG established a branch in Schlieren, Switzerland, which is engaged in the detection of human monoclonal antibodies, eMab®, to prevent and treat infectious diseases. This branch will be closed by the end of March 2013 and the detection of human monoclonal antibodies, eMab®, will be continued in Austria.

Numbers for the prior year have been rounded and, where indicated, are presented in thousands of euros. Calculations, however, are based on exact figures. Therefore, the sum of the numbers in a table column may not conform to the total figure displayed in the column.

2 Summary of accounting and valuation methods

2.1 Fixed assets

2.1.1 Intangible assets

The purchased fixed intangible assets are recorded at **acquisition cost**, minus accumulated amortization.

Scheduled amortization is calculated on a pro rata temporis basis.

Computer software is amortized over its estimated useful life.

2.1.2 Tangible assets

Property, plant and equipment are recognized **at cost**. No **impairment losses** were recognized during the fiscal year.

Low-value assets with acquisition costs below EUR 400.00 were fully written-off in the year of acquisition. This depreciation charge was not material in the fiscal year.

Scheduled depreciation is based on the estimated useful life of assets and computed using the pro rata temporis method.

Useful lives by asset class:

Intangible assets	3-17 years
Leasehold improvements	40 years
Laboratory and office equipment	3-10 years
Hardware	3-5 years

2.1.3 Financial assets

Financial assets are recognized at acquisition cost. An impairment charge is recognized only where the decrease in fair value is expected to be permanent.

2.2 Current assets

2.2.1 Accounts receivable and other current assets

Receivables and other assets are stated at nominal value. **Foreign exchange receivables** are converted to euros using the foreign exchange bid rate on the date of the transaction. At the balance sheet date they are revalued using either the foreign exchange bid rate at the transaction date or at the balance sheet date, whichever is lower. Valuation allowances are made for **individually recognizable risks**.

2.2.2 Securities and shares

Available-for-sale securities are valued at the lower of acquisition cost or market price.

2.2.3 Cash and cash at bank

Cash at banks denominated in foreign currencies are stated at the foreign exchange rate on the transaction date or at the foreign exchange rate at the balance sheet date, whichever is lower.

2.3 Accruals and provisions

Provisions and accruals are recognized in the amount which, according to commercial judgment, is necessary at the balance sheet date to cover future payment obligations.

2.3.1 Provision for leaving indemnities

All employees whose contracts of employment were not subject to the BMVG (Austrian Company Retirement Plan Act (Betriebliches Mitarbeitervorsorgegesetz) voluntarily opted for the defined contribution system (Section 47 BMVG) during the year 2003.

The provision for contractual leaving indemnities for the Management Board was released, as the Management Board assumes that the payments for the contractual leaving indemnities are not probable.

2.3.2 Other accruals

All liabilities the timing or amounts of which are uncertain when the financial statements are prepared are provided for, adhering to the principle of prudence, at the respective amounts required under standard commercial practice.

2.4 Accounts payable

In accordance with the principle of prudence, accounts payable were valued at the amount repayable. Liabilities stated in foreign currencies are stated using the foreign exchange rate on the date of the transaction or the selling price on the balance sheet date, whichever is higher.

2.5 Changes in valuation methods

The valuation methods used are in line with the valuation methods of prior years.

3 Details of the balance sheet and income statement

3.1 Details of the balance sheet

3.1.1 Fixed assets

The development of the individual items included in fixed assets and the analysis of depreciation and amortization charges are presented in the fixed asset movement schedule attached to these notes.

The added book value of EUR 12,364,220.08 resulted from the merger of Pelias Biotechnologies GmbH and the merger of Pelias Biomedizinische Entwicklungs AG into the Company. The value is assigned to R&D projects; therefore it was classified as an intangible asset.

The total amount of low-value assets for the fiscal year was EUR 19,281.75 (prior year: EUR 95k).

The following table shows the details of financial assets:

As of December 31, 2012	Net book value in EUR	Interest held	Currency	Equity in local currency	Profit/Loss of the year in EUR
Shares in affiliated companies					
Intercell USA, Inc., Gaithersburg, MD, USA	0.00	100%	USD	-29,407,973.93	1,012,918.26
Intercell Austria AG, Vienna, AT	70,000.00	100%	EUR	64,761.70	-5,238.30
Intercell Biomedical Ltd., Livingston, UK	4,480,655.54	100%	GBP	6,704,045.95	400,416.19
Total	**4,550,655.54**				

As of December 31, 2011	Net book value in EUR '000	Interest held	Currency	Equity in local currency in thousands	Profit/Loss of the year in EUR '000
Shares in affiliated companies					
Intercell USA, Inc., Gaithersburg, MD, USA	0	100%	USD	-30,891	-6,323
Intercell Biomedical Ltd., Livingston, UK	4,344	100%	GBP	6,349	1,338
Total	**4,344**				

Expenses from fixed financial assets and current securities include an impairment of the shares in affiliates (Intercell USA, Inc.) of EUR 0.00 (prior year: EUR 23,988k) and losses from the sale of current securities of EUR 1,149,054.48 (prior year: losses EUR 835k).

Income from the disposal and write-up of fixed financial assets includes a write-up of the shares in affiliates (Intercell USA, Inc.) of EUR 156,196.00 (prior year: EUR 0k).

Commitments

The Company leases office and laboratory premises, cars and equipment under cancelable operating lease agreements, which are not recognized as property, plant and equipment.

	As of December 31, 2012		As of December 31, 2011	
	Less than 1 year EUR	Less than 5 years EUR	Less than 1 year EUR '000	Less than 5 years EUR '000
Commitments from rental contracts	33,086.08	66,896.08	12	57
Commitments from lease contracts	1,431,451.34	5,611,934.74	1,828	7,058
Total	**1,464,537.42**	**5,678,830.82**	**1,839**	**7,115**

3.1.2 Current assets

3.1.2.1 Accounts receivable and other current assets

As of December 31, 2012	Total EUR	Maturity not later than 1 year EUR	Maturity not later than 5 years EUR	Maturity later than 5 years EUR
Trade accounts receivable	5,472,725.99	5,352,725.99	120,000.00	0.00
Accounts receivable from affiliated companies	27,550,298.02	0.00	0.00	27,550,298.02
Other assets	15,754,428.89	4,458,081.13	0.00	11,296,347.76
Total	**48,777,452.90**	**9,810,807.12**	**120,000.00**	**38,846,645.78**

As of December 31, 2011	Total EUR '000	Maturity not later than 1 year EUR '000	Maturity not later than 5 years EUR '000	Maturity later than 5 years EUR '000
Trade accounts receivable	4,630	4,510	120	0
Accounts receivable from affiliated companies	28,285	0	0	28,285
Other assets	16,613	5,314	3	11,296
Total	**49,528**	**9,824**	**123**	**39,581**

As in the prior year, **trade accounts receivable** are exclusively attributable to revenues from product sales and collaborations and licensing. Payment has been received after the balance sheet date.

As in the prior year, **accounts receivable from affiliated companies** only include other receivables. Accounts receivable from Intercell USA, Inc. were written down by EUR 14,912k in 2011 as the company was restructured.

3.1.2.2 Securities and shares

Other current securities include investment funds (money market investment funds and asset-backed security funds), government bonds and floating-rate notes.

3.1.3 Share capital

As of December 31, 2012, the Company's nominal share capital amounts to EUR 55,183,961.00 and was fully paid in. The nominal share capital is divided into 55,183,961 common voting bearer shares with no par value. Therefore, each share represents a calculated nominal value of EUR 1.00 of the capital stock.

As of December 31, 2011, the Company's nominal share capital amounted to EUR 48,592,219.00. In June 2012, the Company issued 6,591,742 new no par value common voting bearer shares with a calculated nominal value of EUR 6,591,742.00 in connection with a private equity placement.

Conditional capital

The Company has 5,784,457 no par value shares with a calculated nominal value of EUR 5,784,457.00 of conditional capital according to Section 159 (3) Austrian Stock Corporation Act to serve the exercise of existing stock options. The conditional capital increase will only be consummated to the extent that stock options from the employee share option scheme are exercised.

In the fiscal year no shares were issued from conditional capital according to Section 159 ff. Austrian Stock Corporation Act due to the exercise of employee share options.

Further the registered share capital of the Company is pursuant to Section 159 (2) No. 1 Austrian Stock Corporation Act conditionally increased by up to EUR 15,000,000.00 for the issuance of 15,000,000 new no par value common voting bearer shares. The conditional capital increase will only be consummated to the extent that the conversion option of the convertible bond is exercised.

Authorized capital

The Management Board was authorized by the Shareholders' meeting held on June 13, 2008, subject to approval by the Supervisory Board, to increase the registered share capital of the Company by June 13, 2013 by issuing up to 15,000,000 new bearer shares of common stock – at once or in tranches – with a calculated nominal value of EUR 15,000,000.00 against cash or contribution-in-kind. Use has been made of this authorization in the course of a private equity

placement of 6,591,742 new shares, which was completed on June 1, 2012. Therefore the remaining authorized capital is EUR 8,408,258.00 as of December 31, 2012.

Treasury stock

The Company holds 301,748 own shares as treasury stock with a calculated nominal value of EUR 301,748.00, which corresponds to a share of 0.55% of the nominal share capital. From 2000 to 2003, the Company reacquired a number of its own shares that had been issued under an employee participation program. In addition, a number of shares were transferred to the Company in exchange for no consideration in the years 2003 and 2004 as a result of certain agreements between shareholders. The treasury stock is designated for reissuance to employees, members of the Management Board, as well as members of the Supervisory Board upon exercise of share options.

No acquisition or sale of shares held as treasury stock took place during the fiscal year.

The 301,748 own shares held as treasury shares by the Company are recorded in the balance sheet at a value of EUR 493,431.55 (prior year: EUR 493k).

3.1.4 Accruals and provisions

The details of the accruals and provisions are as follows:

	As of December 31, 2012 EUR	As of December 31, 2011 EUR '000
Royalties	1,760,878.13	0
Employee bonuses	1,282,709.55	1,969
Marketing & sales	1,531,544.98	0
Legal fees	1,242,714.56	0
Interests on loans	969,710.73	0
Vacation	772,814.06	772
Materials and services for R&D	261,081.81	733
Interests on convertible notes	228,000.00	408
Supervisory Board compensation	163,000.00	174
Audit	75,000.00	75
Restructuring	56,506.56	1,031
Capital transaction tax	0.00	1,452
Miscellaneous	228,734.15	1,418
Total	**8,572,694.53**	**8,031**

3.1.5 Liabilities

As of December 31, 2012	Total EUR	Maturity not later than 1 year EUR	Maturity not later than 5 years EUR	Maturity later than 5 years EUR
Convertible notes	15,200,000.00	12,200,000.00	3,000,000.00	0.00
Liabilities from loans	20,000,000.00	0.00	18,333,333.33	1,666,666.67
Liabilities due to banks	4,311,255.00	338,000.00	3,723,255.00	250,000.00
Trade accounts payable	1,356,099.40	1,356,099.40	0.00	0.00
Other payables	1,664,736.50	1,664,736.50	0.00	0.00
Total	**42,532,090.90**	**15,558,835.90**	**25,056,588.33**	**1,916,666.67**

As of December 31, 2011	Total EUR '000	Maturity not later than 1 year EUR '000	Maturity not later than 5 years EUR '000	Maturity later than 5 years EUR '000
Convertible notes	27,200	12,200	15,000	0
Liabilities due to banks	3,812	0	3,062	750
Trade accounts payable	2,441	2,441	0	0
Other payables	1,964	1,964	0	0
Total	**35,418**	**16,605**	**18,062**	**750**

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 with an outstanding value of EUR 15.2m at the balance sheet date. The Notes have a conversion price of EUR 11.43 and bear a fixed-rate coupon of 6% per annum, which is payable quarterly in arrears. Principal and interest payments may be paid in cash or, subject to minimum thresholds in trading volume and values, in freely tradable listed shares of Intercell, at the sole option of the Company. The holders of the Notes may, at their sole option, choose to defer quarterly payments of principal through the final scheduled maturity of the Notes.

The Notes had three components: a liability component, an equity component and an increase option that results from the original investors' right to purchase additional notes. This increase option has not been exercised and is expired in March and September 2012, respectively. The liability component is included in the balance sheet item "convertible notes." The equity component (EUR 35,330.00) is included in the balance sheet item "appropriated capital reserve".

On May 7, 2012 the Company announced the signing of a combined debt and equity financing with BB Biotech. The financing consists of EUR 5.0 million as an equity private placement and a EUR 20.0 million secured loan (hereafter referred to as "Term Loan") with a six-year term. Repayment of the loan starts in the fourth year through twelve equal quarterly installments. The loan carries a variable interest rate of 3m-EURIBOR plus 6.5% (but not less than 10.9%). In addition, the Company will pay a royalty of 5.0% on its sales revenues from IXIARO®/JESPECT® (decreasing to 1.5% for sales revenues in excess of EUR 50.0 million) for a ten-year period. The terms include a buy-out option which entitles the Company to repurchase the Term Loan and Royalty Interest at predefined conditions at any time. The loan is secured by a security interest in the assets related to IXIARO®/JESPECT®. As part of this security a Bond and Floating Charge over all the assets of Intercell Biomedical, Ltd has been agreed.

The Term Loan is included in the balance sheet item "liabilities from loans".

Other payables include EUR 446,408.22 (prior year: EUR 310k) in payables resulting from expenses due for payment after the balance sheet date.

3.1.6 Deferred income

The details of the deferred income are as follows:

in EUR	January 1, 2012	Additions	Utilization	December 31, 2012
Deferred revenues	18,264,104.03	324,582.00	3,427,999.60	15,160,686.43
Total	**18,264,104.03**	**324,582.00**	**3,427,999.60**	**15,160,686.43**

in EUR '000	January 1, 2011	Additions	Utilization	December 31, 2011
Deferred revenues	23,641	929	6,305	18,264
Total	**23,641**	**929**	**6,305**	**18,264**

The deferred income is due to not-realized revenues in connection with the strategic partnership with Novartis Pharma AG, Basel, Switzerland, and R&D grants.

3.2 Details of the income statement

The income statement is presented in total expenditure format.

3.2.1 Revenue classification

The revenues of EUR 35,481k (prior year: EUR 33,752k) have been generated from product sales with an amount of EUR 27,022k (prior year: EUR 23,497k), from collaboration and license agreements with an amount of EUR 8,457k (prior year: EUR 10,177k) and revenues from deliverables of research with an amount of EUR 2k (prior year: EUR 78k).

Geographical markets:

	Year ended December 31,	
	2012 EUR	2011 EUR '000
Austria	408,402.43	329
Europe – without Austria	16,630,617.12	12,643
USA	14,641,288.96	16,496
Other	3,800,456.57	4,285
Total	**35,480,765.08**	**33,752**

3.2.2 Expenses for leaving indemnities and contributions to leaving indemnity funds

The expenses for leaving indemnities and contributions to leaving indemnity funds include payments to leaving indemnity funds of EUR 129,456.38 (prior year: EUR 137k).

3.2.3 Classification of other operating income and expenses

The details of the other operating income are as follows:

	Year ended December 31,	
	2012 EUR	2011 EUR '000
Proceeds from the disposal of tangible assets	93,302.82	8
Public subsidies	404,697.71	509
Foreign exchange gains	0.00	3,019
Other operating income	3,790,834.73	3,660
Total	**4,288,835.26**	**7,195**

The details of the other operating expenses are as follows:

	Year ended December 31,	
	2012 EUR	2011 EUR '000
Clinical studies	4,531,897.15	7,734
Legal, auditing and consulting expenses	6,059,260.20	3,126
License fees	2,829,599.38	2,099
Rental & leasing	1,891,205.73	1,869
Telephone and freight charges	457,961.96	809
Travel expenses	504,575.26	749
Energy costs	543,392.24	547
Insurances	497,714.20	338
Foreign exchange losses	200,327.04	0
Other operating expenses	3,720,412.21	2,668
Total	**21,236,345.37**	**19,940**

3.2.4 Expenses from financial assets and current securities

Expenses from fixed financial assets and current securities include losses from the sale of current securities of EUR 1,149,054.48 (prior year: losses EUR 835k).

3.2.5 Expenses for the auditor

The expenses for the auditor amount to EUR 182,935.85 (prior year: EUR 204k), and the details of the expenses are as follows:

	Year ended December 31,	
	2012 EUR	2011 EUR '000
Audit of the financial statements	75,000.00	75
Other assurance services	87,675.85	115
Other services	20,260.00	14
Total	**182,935.85**	**204**

3.2.6 Income tax

In 2012 the Company has chosen the option not to capitalize deferred taxes on temporary differences between the statutory and the tax result. The capitalizable value according to Section 198 (10) UGB would have been EUR 12,428.13 in the year 2012 (prior year: EUR 312k).

4 Other information

4.1 Guarantees and contingent liabilities

	As of December 31, 2012 EUR	As of December 31, 2011 EUR '000
Credit guarantees	75,792.03	77
Total	75,792.03	77

4.2 Related-party transactions

	Year ended December 31,	
	2012 EUR	2011 EUR '000
Purchase of services - Members of the Supervisory Board	111,314.38	70
Total	111,314.38	70

In 2011, Hans Wigzell and Prof. Dr. Alexander von Gabain were members of the Supervisory Board as well as the Scientific Advisory Board. Therefore, they received fees on the same normal commercial terms and conditions as the other Scientific Advisory Board members.

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

4.3 Off-balance-sheet transactions

The Company has entered into contractual arrangements with members of the Management Board, entitling them to a one-off payment in certain cases of termination of their employment relationship with the Company. Contingent liabilities under these contractual arrangements as of December 31, 2012 amounted to EUR 2,240k (2011: EUR 2,240k).

The Company has entered into various agreements with industrial partners and agencies under which it receives or grants certain rights relating to vaccine technologies, product candidates, and intellectual property. The terms of these agreements include milestone payments contingent on the achievement of certain developmental milestones by the party receiving such rights, as well as royalty payments contingent on the sale of products derived through exercise of such rights. Depending on whether a milestone has been reached, the Company is able to receive

milestone payments of up to EUR 185m due to existing "out-licensing" agreements in the next 10 years.

4.4 Board and employees of the Company

4.4.1 Employees

As of the balance sheet date, Intercell had 146 white-collar workers (prior year: total 156, of which 148 white-collar workers and 8 blue-collar workers). During 2012 an average of 148 employees was employed, of which 144 white-collar workers and 4 blue-collar workers (prior year: total 182, of which 174 white-collar workers and 8 blue-collar workers).

4.4.2 Members of the Management Board and the Supervisory Board

The Management Board consisted of the following members during 2012: Thomas Lingelbach, DDr. Reinhard Kandera, as well as Mustapha Leavenworth Bakali until April 30, 2012. Any two members of the Management Board are entitled to collectively represent the Company.

Our Supervisory Board consisted of the following members during the year 2012:

- Dr. Thomas Szucs (Chairman)
- Prof. DDr. Ernst-Günter Afting (Vice Chairman)
- Michel Gréco (until December 16, 2012)
- James R. Sulat
- Prof. Dr. Alexander von Gabain
- Hans Wigzell

4.4.3 Compensation of the Management Board and the Supervisory Board

The remuneration of the members of the Management Board was EUR 1,461,312.77 (prior year: EUR 1,807k) in total.

in EUR	Salaries	Bonus	Other benefits	Total
Thomas Lingelbach	320,000.00	390,400.00	63,154.75	773,554.75
Reinhard Kandera	240,000.00	273,600.00	29,258.02	542,858.02
Mustapha Leavenworth Bakali (until April 30, 2012)[1]	105,000.00	31,500.00	8,400.00	144,900.00
Total	**665,000.00**	**695,500.00**	**100,812.77**	**1,461,312.77**

The remuneration of members of the Supervisory Board was EUR 348,331.52 (prior year: EUR 359k) in total.

4.4.4 Share options

The following table sets forth the number of share options for the legal representatives and employees of the Company:

	Total outstanding as of Dec. 31, 2012
Legal representatives	
Management Board	
Thomas Lingelbach	250,000
Reinhard Kandera	250,000
Supervisory Board	
Ernst-Günter Afting	20,000
James R. Sulat	20,000
Hans Wigzell	20,000
Thomas Szucs	10,000
Alexander von Gabain	10,000
Executive employees	623,250
Other employees	359,325
Total sum	**1,562,575**
Employees of affiliated companies	738,926
Total	**2,301,501**

In general, options are exercisable for the first time in four equal portions after the Annual General Shareholders' Meeting in the second, third, fourth and fifth year after being granted (vesting period). Special option packages are offered to members of the Management Board and to

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[1] Mr. Mustapha Leavenworth Bakali was employed at Intercell Biomedical Ltd. The costs were charged on to Intercell AG.

executive employees upon being hired or as a special incentive vest after three years. Options granted from 2006 onwards become exercisable only if the share price on the exercise date exceeds the exercise price by at least 15%. All options expire no later than five years after being granted. Options are not transferable or negotiable, and unvested options lapse without compensation upon termination of employment with the Company (cancellation). The exercise is only allowed twice a year in the second, third, fourth and fifth year after being granted. One exercise window is during a four-week period following the Annual General Shareholders' Meeting and the second exercise window will be announced by the Management Board. Options granted from 2008 onwards become exercisable upon the effectiveness of the takeover of more than 50% of the outstanding voting rights of the Company.

Options are not transferable or tradable. There is no retention period for shares received through the exercise of share options. The Company does, however, have the right to announce special restricted periods under the compliance code in which no share dealing is allowed. To service the exercise of the options, own shares held as treasury stock as well as new shares of conditional capital according to Sections 159 ff Austrian Stock Corporation Act can be used.

The weighted-average fair value of all outstanding options, calculated using the Black-Scholes model, was EUR 0.35 per option as of December 31, 2012 (December 31, 2011: EUR 0.43).

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

	2012		2011	
	Number of options	Average exercise price in EUR per share	Number of options	Average exercise price in EUR per share
Outstanding at January 1,	3,123,546	10.59	3,812,975	20.77
Granted	-	-	1,548,400	2.09
Forfeited	(822,045)	15,66	(2,237,829)	21.95
Exercised	-	-	-	-
Outstanding at year-end	**2,301,501**	**8.88**	**3,123,546**	**10.59**
Exercisable at year-end	436,911	20.73	431,993	24.78

In 2012 and 2011, no options were exercised.

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

Expiry date	Exercise price in EUR per share	Number of options as of December 31,	
		2012	2011
Dec. 2012	23.95 - 26.18	-	197,500
Dec. 2013	3.99 - 11.43	6,488	18,975
Dec. 2013	20.63 - 31.35	207,663	301,971
Dec. 2014	21.19 - 26.99	219,600	303,800
Dec. 2015	11.80 - 17.96	560,300	752,900
Dec. 2016	1.94 - 5.84	1,307,450	1,548,400
Total		**2,301,501**	**3,123,546**

In 2012, no options were granted. The weighted-average grant-date fair value of options granted during the year 2011 was EUR 0.86. The fair value of the granted options was determined using the Black-Scholes valuation model. The significant inputs into the models were:

	Fiscal year
	2011
Expected volatility (%)	35.00 – 71.00
Expected vesting period (term in years)	2.00 – 5.00
Risk-free interest rate (%)	0.07 – 2.26

In 2012, the expenses for share-based payments amounted to EUR 237,185.00 (prior year: EUR 904k).

4.5 Events after the balance sheet date

On December 16, 2012, Intercell AG (IAG) and Vivalis SA, Roussay, France, announced the proposed merger of equals between the two companies to create Valneva SE, a leading European biotechnology company in vaccines and antibodies, headquartered in Lyon, France. The merger of the two companies will happen in two legal steps. In the first step, IAG will demerge its business operations into Intercell Austria AG (IAT) which was founded in December 2012. In the second step, IAG will merge together with its newly formed affiliate IAT with Vivalis SA which will, at the same time, transform into a SE (European Company) and change its name to Valneva. The demerger should take place as of October 1, 2012 retrospectively: IAT will take over the operating business of IAG in the course of the demerger. In January 2013 the demerger contract was signed and approval of shareholders followed at the general meetings of IAG and IAT on February 27, 2013. On March 7, 2013 the shareholders of Vivalis SA have approved the proposed merger. The Company expects the merger to close in May 2013.

In January 2013 a new company called Elatos GmbH was founded to divest IAG's "eMAB" technology as of September 30, 2012 retrospectively. The Elatos GmbH is a 100-%-subsidiary of IAT.

Vienna, March 11, 2013

The Management Board:

signed:	signed:
Thomas Lingelbach, CEO	DDr. Reinhard Kandera, CFO

The Financial Statements of Intercell AG for the fiscal year from January 1 to December 31, 2012, the Management Report, and the Audit Opinion thereon have been issued in German in accordance with Section 273 of the Austrian Commercial Code. We draw attention to the fact that this translation into English is provided for convenience purposes only and that only the German wording is legally binding.

Intercell AG, Vienna

3 / Enclosure

Movements in fixed assets

	Acquisition/production cost					Accumulated amortization/ depreciation	Net book value		Amortization/ depreciation charge of this year	Write-up charge of this year
	as of 01/01/2012	Additions	Disposals	Reclassifications	as of 12/31/2012		as of 12/31/2012	as of 12/31/2011		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets										
1. Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	20,893,218.51	320,845.44	0.00	15,225.00	21,229,288.95	7,115,213.15	14,114,075.80	15,095,353.35	1,317,347.99	0.00
2. Book value added by a merger	12,364,220.08	0.00	0.00	0.00	12,364,220.08	0.00	12,364,220.08	12,364,220.08	0.00	0.00
3. Prepayments	1,740.00	13,485.00	0.00	-15,225.00	0.00	0.00	0.00	1,740.00	0.00	0.00
	33,259,178.59	334,330.44	0.00	0.00	33,593,509.03	7,115,213.15	26,478,295.88	27,461,313.43	1,317,347.99	0.00
II. Tangible assets										
1. Leasehold improvements	171,768.98	0.00	6,498.60	68,016.52	233,286.90	11,005.89	222,281.01	166,859.50	6,096.41	0.00
2. Machinery and equipment	5,339,146.55	32,218.34	385,827.44	0.00	4,985,537.45	3,697,036.66	1,288,500.79	1,843,492.96	573,029.72	0.00
3. Other equipments, factory and office equipment	922,163.42	30,618.62	215,648.11	0.00	737,133.93	564,710.85	172,423.08	253,384.04	110,613.18	0.00
4. Prepayments and construction in progress	68,016.52	0.00	0.00	-68,016.52	0.00	0.00	0.00	68,016.52	0.00	0.00
	6,501,095.47	62,836.96	607,974.15	0.00	5,955,958.28	4,272,753.40	1,683,204.88	2,331,753.02	689,739.31	0.00
III. Financial assets										
Shares in affiliated companies	154,464,781.21	206,872.00	156,196.00	0.00	154,515,457.21	149,964,801.67	4,550,655.54	4,343,783.54	0.00	156,196.00
	194,225,055.27	604,039.40	764,170.15	0.00	194,064,924.52	161,352,768.22	32,712,156.30	34,136,849.99	2,007,087.30	156,196.00
Low-value assets	0.00	19,281.75	19,281.75	0.00	0.00	0.00	0.00	0.00	19,281.75	0.00

MANAGEMENT REPORT OF THE YEAR 2102

1. Report on the operation activities

Corporate Development

One of the most important goals of the Management team in 2012 was to secure the financial sustainability for Intercell. A financing completed in May 2012 stabilized the financial position of the Company. The announcement of a planned merger of equals with the French company Vivalis SA followed in December 2012. The two companies plan to merge to create a new company named Valneva SE, an innovative and fully integrated European biotech leader in vaccines and antibodies.

Combined debt and equity financing

In May 2012, Intercell successfully completed a financing transaction consisting of a EUR 20.0m secured loan provided by a fully owned subsidiary of BB Biotech AG and an equity private placement of approximately EUR 15.2m. BB Biotech participated in the private placement with an investment of EUR 5.0m.

The aim of this financing was to further strengthen its liquidity in support of ongoing investments in its research and development of the pipeline products.

Proposed Merger of Equals between Vivalis and Intercell - Creation of a European Biotech Leader in Vaccines and Antibodies

In December 2012, the Management Boards of Vivalis and Intercell announced that they have agreed the terms of a merger to create the newly-named Valneva, a leading European biotechnology company in vaccines and antibodies. The merger will create an integrated company with greater scale and diversification, strengthened financial profile, and complementary talent and capabilities comprising following:

- Complementary business models operating across the value chain with innovative technology platforms, discovery and development capabilities, state-of-the-art manufacturing and commercialization expertise
- Diversified revenue streams from a marketed vaccine against the Japanese Encephalitis Virus and income from multiple commercial technology licenses
- A broad portfolio of promising partnered product candidates including a pandemic Influenza vaccine in Phase III, a Pseudomonas vaccine in Phase II/III, and a Tuberculosis vaccine in Phase II
- A portfolio of validated and commercialized technology platforms including the EB66® cell line for human and veterinary product development, which is becoming the industry standard, the VIVA|Screen™ antibody discovery platform, and the IC31® novel adjuvant
- A complementary and experienced management team led by Thomas Lingelbach as President and Chief Executive Officer, Franck Grimaud as President and Chief Business Officer, Majid Mehtali as Chief Scientific Officer, and Reinhard Kandera as Chief Financial Officer

The French merger document (Document E) was registered with the Autorité des marchés financiers (AMF) on January 23, 2013.

The shareholders of both Vivalis and Intercell have approved the merger in their respective shareholder meetings on February 27, 2013 and March 7, 2013.

As of the date of this annual report, Vivalis and Intercell have finalized a proposal for the governance of Valneva, agreeing on the following initial Supervisory Board (Conseil de Surveillance) composition:

- Frédéric Grimaud (Chairman), Alain Munoz and Michel Gréco proposed by Vivalis
- Prof. Alexander von Gabain, James Sulat, and Prof. Hans Wigzell proposed by Intercell
- Anne-Marie Graffin proposed by the Fonds Stratégique d'Investissement ("FSI"), to be nominated upon closing of the planned capital increase

Terms of the Merger

Upon completion of the merger, Intercell shareholders will receive 13 new Vivalis ordinary shares and 13 new preferred shares for every 40 Intercell shares that they own.

The merger consideration represents a premium for Intercell shareholders of 38.5% on the basis of the last closing share prices and 31.7% on the basis of the average share prices over the last three months, as at December 14, 2012.

Upon completion of the merger, expected in May 2013 and based on the current issued share capital of each company, Vivalis former shareholders will hold approximately 55.0% and Intercell former shareholders approximately 45.0% of the issued share capital of Valneva.

Each preferred share will convert into 0.4810 Valneva new ordinary shares upon the issuance of a marketing authorization for Intercell's Pseudomonas vaccine in the U.S. or in Europe, which would result in the creation of approximately 8.6m new ordinary Valneva shares.

The issuance of this potential market authorization will unlock the significant value of the Pseudomonas vaccine from which all Valneva shareholders will benefit. Through Intercell's current Pseudomonas partnership, Valneva will be entitled to either receive royalties tied to sales performance and potential development milestones of EUR 120m or, should it elect to co-develop the product, participate in a profit sharing scheme.

The merger is subject to certain customary conditions, and obtaining relevant regulatory consents.

The terms of the merger were reviewed by merger auditors in France and Austria. Additionally, a French independent expert reviewed the terms and conditions of the preferred shares.

Simultaneously with the completion of the Merger, Vivalis will be converted into a European Company (SE) with a Management Board (Directoire) and a Supervisory Board (Conseil de Surveillance). It will also change its corporate name to Valneva SE and will transfer its headquarters to Lyon.

Valneva shares will be listed on the regulated markets of NYSE Euronext in Paris and the Vienna Stock Exchange. The preferred shares will be listed on Euronext Paris.

Intended Rights Issue: EUR 40m already secured

Shortly following completion of the merger, Valneva intends to launch a EUR 40m rights issue, where its shareholders will have the right to subscribe on a pro rata basis.

Vivalis and Intercell have received the following commitments with respect to the intended rights issue, and therefore already secured the EUR 40m capital increase:

- The FSI has undertaken to participate in the rights issue for 62.5% of the total size of the offering, up to EUR 25m
- Groupe Grimaud and Unigrains (one of Groupe Grimaud's long-term shareholders) have irrevocably undertaken to subscribe in aggregate to the rights issue for EUR 5m
- Two banks have committed to underwrite EUR 10m under market-standard terms and conditions

Products and Programs

Intercell is a vaccine-biotech company that manufactures, markets and distributes its own Japanese Encephalitis Vaccine. It has further vaccine candidates with high medical need in clinical development and is doing pre-clinical vaccine and antibody research.

Intercell's first marketed product is a vaccine to protect travelers, military personnel and residents in endemic regions against Japanese Encephalitis. The product was developed by Intercell using capabilities from research to manufacturing and commercialization and brought to licensure in all relevant key countries.

With the aim of developing 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, Intercell has further vaccine candidates in clinical development. Additional investigational vaccines and monoclonal antibodies are in research or 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.

Vaccine against Japanese Encephalitis

Intercell's Japanese Encephalitis (JE) vaccine is a next-generation vaccine against the most common vaccine-preventable cause of Encephalitis in Asia, and is licensed in more than thirty countries. It is marketed under the trade names IXIARO® and JESPECT® and is the Company's first product on the market.

The approval of IXIARO®/JESPECT® in 2009 marked a crucial milestone in Intercell's evolution as an independent vaccine development company. Since then, the Company, together with its marketing & distribution partners, is focused on increasing penetration through its sales and marketing activities and global expansion strategy.

In September 2012, Intercell's partner Biological E. Ltd. launched the product JEEV® – a vaccine to protect small children and adults from Japanese Encephalitis – in India. The vaccine was approved by the Drugs Controller General of India (DCGI) in November 2011. The product, based on Intercell's technology, is manufactured at Biological E.'s facility in Hyderabad, India. This is the first time this next-generation Japanese Encephalitis vaccine is available in an endemic country.

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.

Protection for travelers, military and residents in endemic regions

Intercell's vaccine against JE is a prophylactic vaccine. Novartis distributes the vaccine to North America and Europe as well as Hong Kong and Singapore (IXIARO®), whereas bioCSL distributes the vaccine in Australia and New Zealand (JESPECT®).

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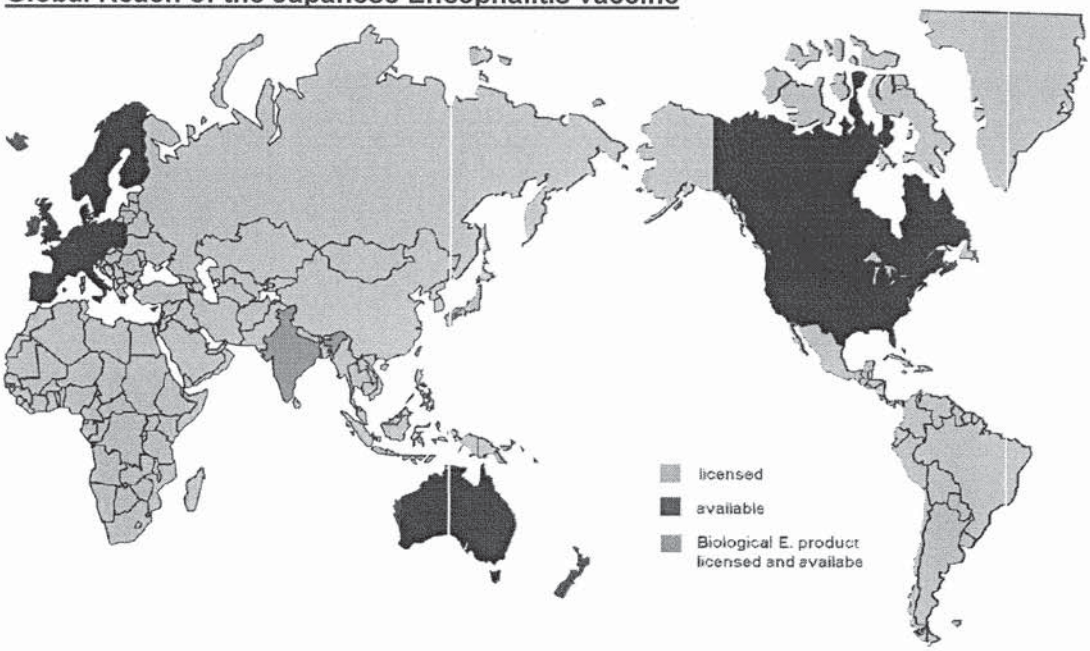
[1] Source: CDC, http://www.cdc.gov

Global Reach of the Japanese Encephalitis vaccine



JESPECT® successfully achieved approval and market authorization in New Zealand
Intercell received "Medsafe Consent to Distribute a New Medicine" and the corresponding Gazette notice for JESPECT®, equivalent to the registration approval letter and the marketing authorization. This means JESPECT® is now registered in New Zealand and can be marketed there.

Distribution Partners for IXIARO®/JESPECT®

Novartis	Novartis serves the travelers' markets in North America, Europe as well as specific other markets in Latin America and Asia
bioCSL Ltd.	bioCSL is authorized to market and distribute the vaccine in Australia, New Zealand, Papua New Guinea, and the Pacific Islands

Distribution Partners for JEEV®

Biological E. Ltd.	Biological E. Ltd. is authorized to manufacture and market the vaccine JEEV® in India, Pakistan, Nepal, Bhutan

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 to countries all over the world. The company entered into an exclusive 5 year supply agreement with the US Military in 2009 for its JE vaccine.

Intercell's JE vaccine is a purified, inactivated vaccine indicated for active immunization for the prevention of disease caused by the Japanese Encephalitis virus in adults. Manufactured at Intercell's wholly-owned cGMP facility in Livingston, Scotland, the product is derived from cell culture, rather than live organisms, is latex- and preservative-free and is provided as a sterile, adjuvanted (aluminum hydroxide), liquid formulation in ready-to-use prefilled syringes.

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.

In the U.S., the vaccine is licensed for individuals above the age of 17 and in Canada and Australia it is licensed for those above the age of 18.

In EU member states as well as Norway, Liechtenstein and Iceland, IXIARO® is indicated for active immunization against Japanese Encephalitis in adults, adolescents, children and infants aged 2 months and older.

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

Pediatric label extension for IXIARO®/JESPECT®

The development of a JE vaccine to protect not just adults but also children, traveling to endemic areas, has been a major goal of the Company.

In June 2012, Intercell submitted applications for the approval of a JE vaccine pediatric label extension to the regulatory agencies EMA and FDA based on data from a Phase III clinical study conducted in the Philippines and favorable interim data from a second Phase III trial in EU, US and Australia. In both studies, the JE vaccine showed to be highly immunogenic in children aged 2 months to <18 years with a safety profile comparable to pediatric vaccines licensed for other diseases.

In December 2012, the CHMP of the European Medicines Agency (EMA) came to a positive opinion on the Marketing Authorisation for IXIARO® in children. The final decision (approval in Europe) by the European Commission was received in February 2013. Intercell and its marketing and distribution partners are committed to introducing the IXIARO® product for administration in all approved age groups as soon as possible. Product, which is currently available on the market, in Europe can be used in accordance with the approved method of administration in all persons aged 3 years and above.

In the USA the pediatric indication of IXIARO® has been granted Orphan Drug Status by the FDA following its submission of the pediatric licensure indications for ages from 2 months to below 17 years. The Orphan Drug designation includes a substantial reduction of fees payable and waivers during the pre- and post-approval phases for this pediatric indication. The pediatric approval is expected in H1 2013.

Positive JEV booster data published

Intercell obtained favorable data from a Phase III trial in 300 children conducted in the Philippines. Interim results of the trial showed that a booster dose of the vaccine was well tolerated and highly immunogenic in children aged 1 to <18 years.

Growing yearly sales

Three years after its global launch, the JE vaccine reached total net product sales in 2012 of EUR 27,022k. This significant increase of 15.0% compared to 2011 reflects the effort by Intercell and its partners to maximize the potential of the product in the key market segments.

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 system in place, which is designed to quickly identify, address, and communicate 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 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 and presented at international conferences. In 2012, results of two clinical trials with IXIARO® in children were presented at two large travel medicine conferences in Asia and Europe.

To date, Intercell has successfully passed all inspections by regulatory authorities. In 2012, Intercell was able to successfully formally close the quality investigation in relation to IXIARO® initiated by the EU authorities in 2011 by careful scientific examination and implementation of respective specifications.

Products in Clinical Development

Core R&D Programs

Intercell is focusing its R&D investments on promising product candidates. The Company's current clinical pipeline includes the vaccine candidates against Pseudomonas (Phase II/III with Novartis) and C. difficile (Phase I) as well as the Tuberculosis vaccine candidates (Phase II with Statens Serum Institut, Sanofi and AERAS).

Product candidate	Type	Status	Expected key event	Partner
In-house Executed Programs				
Japanese Encephalitis	Traveler's vaccine – prophylactic	Phase III completed	Additional 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	In-house development; co-financing with Novartis; Novartis option
Clostridium difficile	Nosocomial vaccine – prophylactic	Phase Ib	Phase I final data	In-house development; Novartis option
Partner Executed Programs				
Tuberculosis (IC31®)	Prophylactic vaccine/ adjuvants	Phase II	Phase II results	AERAS, SSI, Sanofi
IC31® adjuvant in different products*	Prophylactic vaccine/ adjuvants	Phase I	Phase I data	Novartis

*Influenza and undisclosed bacterial targets

Clinical trials

Until a biopharmaceutical medicine can potentially reach regulatory approvals and licensure it must undergo multiple steps of testing and development activities. 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 are 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 are 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 are undertaken in large patient populations to provide statistically significant evidence of clinical efficacy, further safety data, clinical lot-to-lot consistency and other information – subject to specific regulatory advice.

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.

Japanese Encephalitis pediatric vaccine

The development of a JE vaccine to protect both adults as well as children traveling to endemic areas has been a major goal of the Company. Read more about the pediatric label extension of IXIARO® and the results of respective clinical trials on page 7.

Pseudomonas aeruginosa vaccine

In March 2012, Intercell started a pivotal Phase II/III efficacy trial with its investigational Pseudomonas aeruginosa vaccine. The trial follows an exploratory Phase II study in which lower all-cause mortality rates were observed in the vaccine groups as compared to the control group.

The Phase II/III trial is a randomized, placebo-controlled double-blind study which will enroll a total of up to 800 ventilated intensive-care unit patients in approximately 40 study sites across five European countries. The study is sufficiently powered to show a clinically meaningful reduction in all-cause mortality with statistical significance between the vaccine and control group. The study enrollment is progressing and first interim data from a futility analysis (planned after approximately 400 patients enrolled) are expected in H2 2013.

The Pseudomonas aeruginosa program is part of the strategic alliance between Novartis and Intercell. The trial is conducted by Intercell and costs are shared between both parties.

Pseudomonas aeruginosa is one of the leading causes of nosocomial infections, which are infections acquired or occurring during the course of hospitalization for other conditions. Of the 2 million nosocomial infections in the U.S. alone per year, 10% are caused by Pseudomonas aeruginosa. The bacterium is the number 1 cause of ventilator-associated pneumonia, the number 2 cause of hospital-acquired pneumonia and the number 4 cause of surgical site infections. Currently, there is no vaccine against Pseudomonas aeruginosa available.

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.

Intercell is currently testing its C. difficile vaccine candidate in a Phase I safety and immunogenicity study.

First data from the first half of 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 the second part of the study (Phase Ib) for safety and dose-confirmation in the elderly.

This Phase Ib clinical trial was started in March 2012 and is enrolling 80 healthy elderly subjects above 65 years of age, as this age group represents the main target population for a C. difficile vaccine. Two vaccine concentrations will be tested with and without alum to confirm the vaccine dose and necessity of the adjuvant in the elderly. Compared to the Phase Ia part of the study in healthy young adults, the vaccination schedule has been modified to potentially optimize the immune response in elderly subjects who might respond differently to the vaccination due to their immunosenescence. Final Phase Ib results are expected in 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.

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 the field of TB, Intercell is collaborating with the Statens Serum Institut (SSI). Three clinical vaccine candidates, all formulated with Intercell's IC31® adjuvant, are tested in clinical trials.

TB vaccine candidate H1IC

The vaccine candidate H1IC (a combination of SSI's Ag85B-ESAT-6 and Intercell's IC31®) is currently being tested in two Phase II studies.

1. The study initiated in January 2012 is a randomized, double-blind clinical trial evaluating the immunogenicity and safety of two doses of an adjuvanted TB subunit vaccine candidate in HIV-positive individuals, and is currently being conducted in South Africa and Tanzania.
2. A second Phase II study was initiated in September 2012 to assess the safety and immunogenicity of the vaccine candidate in healthy adolescents. The randomized, observer-blinded clinical trial evaluates the immunogenicity and safety of two different doses and two different vaccination schedules of an adjuvanted TB subunit vaccine candidate in healthy males and females between 12 and 18 years who have tested negatively for TB.

Previous Phase I clinical trials in Europe and Africa have demonstrated that SSI and Intercell's collaborative novel investigational TB vaccine is safe and highly immunogenic in different populations. The 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 project is supported by the European and Developing Countries Clinical Trials Partnership EDCTP, the Tuberculosis Vaccine Initiative TBVI, and the South African Tuberculosis Vaccine Initiative SATVI.

Further TB vaccine candidates in clinical trials (H4IC & H56IC)

SSI has two additional vaccine candidates which are formulated with IC31®: The vaccine candidate H4IC is currently tested in a Phase I clinical trial and partnered with Sanofi Pasteur and Aeras. The vaccine candidate H56IC is developed with support of Grand Challenges in Global Health and is currently in 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 an exclusive license for the use of IC31® in selected new vaccines. Following investigation of IC31® in Influenza vaccines, Novartis has initiated a Phase I clinical trial, combining an additional undisclosed vaccine candidate targeting an important medical need with the IC31® adjuvant in 2011.

Furthermore, Intercell maintains research collaborations with different partners to evaluate IC31® in new vaccine formulations, additional collaborations have been initiated in the field of cancer.

Products in pre-clinical stages

Although Intercell has had to reduce its research activities in the past years, discovery work is a vital part of a research organization with a flexible, entrepreneurial spirit of a biotech organization. Therefore our scientists focus on novel indications addressing important medical needs.

Intercell has focused its pre-clinical R&D activities on a vaccine candidate against Lyme borreliosis and a number of therapeutic antibody programs from our in-house identification capabilities.

Lyme borreliosis vaccine

Lyme borreliosis is a multi-systemic infection transmitted by ticks, which can affect the skin, nervous system, joints and heart. It is a danger to health for humans of every age and also causes an enormous economic burden, primarily because both the treatment and the diagnosis of chronic diseases are difficult. Currently, no vaccine is available in Europe to protect humans against Lyme borreliosis.

Symptoms of infection can easily be mistaken for other diseases and in a significant number of cases the characteristic skin rash is not detectable. While antibiotic therapies can treat an existing infection, a prophylactic vaccine could prevent it. About 70% of Lyme borreliosis patients do not even recall a tick bite.

Intercell identified its novel and proprietary vaccine candidate against Lyme borreliosis in-house and is intending to progress all necessary pre-clinical development steps towards clinical entry.

Antibodies in pre-clinical stages

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.
In 2012, Intercell's pre-clinical R&D activities in the area of anti-infective antibodies focused on Influenza, Human cytomegalovirus (hCMV) and Oncology. In early 2013, Intercell founded a new fully owned subsidiary named Elatos GmbH, which will be focused on eMAB® technology.

Technology platforms

Intercell's technology platforms complement its product pipeline. The strengths of the Company's technologies are emphasized by partnerships and collaborations with world leading research-based pharmaceutical and healthcare companies.

IC31® – a unique synthetic adjuvant

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 adjuvants such as IC31®.

It has been demonstrated in pre-clinical models that IC31® is a safe and potent adjuvant for prophylactic and therapeutic vaccines stimulating strong T-cell and B-cell immune responses as well as protective efficacy. Additionally, eight clinical trials have proven IC31® to be a very safe and immunogenic adjuvant in humans. 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 2012, several early research projects were initiated with partners to test IC31® with new indications such as CMV (Cytomegalovirus), HSV (Herpes simplex virus), Cancer and HIV. Ongoing clinical programs with established partners like Novartis and the Statens Serum Institut are progressing very well – SSI and Intercell recently announced the start of their second Phase II Tuberculosis study.

Monoclonal antibody discovery – eMAB®

Intercell's fully human monoclonal antibody discovery platform eMAB® (endogenous monoclonal antibodies) is based on a 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. Intercell focuses on generating novel human antibody candidates in the fields of infectious diseases and cancer. In January 2013, Intercell founded a new subsidiary, Elatos GmbH, which will focus on eMAB® technology.

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 is in regular contact with its current partners, the management of other companies in the biotech and healthcare sectors, as well as other related life science sectors to explore new opportunities.

Intercell's Pseudomonas aeruginosa vaccine program is one of the development programs under the strategic alliance between Intercell and Novartis. Intercell and Novartis advanced 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 a currently conducted Phase II/III efficacy trial, taking into consideration the Novartis option rights and the Intercell right to choose between profit-sharing or receiving milestone payments and royalties.

Since 2005, Intercell maintains a cooperation with Biological E. Ltd. for developing, manufacturing, marketing, and distributing Intercell's Japanese Encephalitis (JE) vaccine in India and the Indian subcontinent. The technology has been transferred to India where Biological E. Ltd.'s JE vaccine (based on Intercell's technology) is manufactured. The product was successfully approved by the Indian regulatory authorities in 2011 under the trade name JEEV®. The market launch of JEEV® in September 2012 marked an important milestone for both companies and enhanced the introduction of Intercell's modern, cell culture-derived technology based vaccine in endemic countries.

Collaborations 2012

Indication	Partner
Japanese Encephalitis vaccine	Novartis / CSL / Biological E.
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 vaccine	Novartis
Clostridium difficile vaccine	Novartis, TechLabs
Staphylococcus aureus antibodies	Merck & Co., Inc.
Pneumococcus antibodies	Kirin
Borrelia vaccine	Novartis , Zovec
Antigens for animal vaccines (undisclosed indications)	Boehringer Ingelheim Vetmedica
Group B Streptococcus vaccine	Novartis
Staphylococcus aureus vaccine	Merck & Co., Inc.

* Contract n° HHSO100200700031C

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 monoclonal 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

In 2012, the Intercell had subsidiaries in three countries: manufacturing facilities in Livingston, Scotland, a sales & marketing force in Gaithersburg, Maryland, U.S.A. and Intercell Austria AG, Vienna, Austria. Following the merger strategy, Intercell Austria AG was created in December 2012 to demerge all operational business other than the eMAB® activities from Intercell AG. In addition Intercell AG has a branch in Schlieren, Switzerland with focus on monoclonal antibody discovery in Schlieren, Switzerland. However, as Intercell is consolidating all eMAB® activities into Vienna, the branch in Schlieren will be closed in early 2013.

Intercell AG – Intercell headquarters

Since its foundation as a spin-off from the University of Vienna in 1997, Intercell's headquarters have been located at the Campus Vienna Biocenter, where Intercell is surrounded by research institutes and numerous other innovative Austrian biotech companies.

The headquarters' facilities accommodate departments for quality operations, R&D, and administration, which include 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, and has been licensed by the U.S. Food and Drug Administration (FDA). Intercell is currently testing and releasing materials for clinical trials. Intercell also uses its Quality Control Operations at the Vienna site for release testing of its commercial product IXIARO®/JESPECT® (JE vaccine) leveraging know-how and skills and further improving operational and cost-effectiveness.

Intercell Biomedical Ltd. – Manufacturing site

The manufacturing plant in Livingston is dedicated to the production of the Company's leading product IXIARO® and JESPECT®, a 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 at that time, the vaccine against Japanese Encephalitis (JE). First commercial sales of the vaccine manufactured in the Company's facility occurred in March 2009.

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.

Across the pharmaceutical manufacturing environment, vaccine manufacturing is considered the most challenging and demanding process from a control and Quality by Design (QbD) point of view.

The Livingston manufacturing site operates under a Manufacturing Authorisation granted by the UK Medicines and Healthcare products Regulatory Agency (MHRA). Various Competent Authorities have conducted on-site inspections of the site: MHRA (2007, 2009 and 2011), U.S. Food and Drug Administration (FDA/CBER; 2008, 2010 and 2012), and Health Canada (2009). To date, these inspections 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. – Sales & marketing office

Intercell's U.S.-site is a sales & marketing office, primarily focusing on IXIARO® U.S. military, U.S. private and international sales through distribution partners and related G&A activities. The

workforce consists of 11 employees who coordinate Intercell's efforts to increase market penetration of its JE vaccine in the U.S.

Social Responsibility at Intercell

Corporate Social Responsibility (CSR) 2012 – Highlights

- Intercell is dedicated to its Corporate Social Responsibility (CSR) strategy
- Intercell and its partner Biological E. Ltd. launched their vaccine to protect children and adults from JE in India. This is a major step in expanding the global reach of the vaccine and the first time this next-generation Japanese Encephalitis vaccine is available in an endemic country.
- A CSR working group is sharing ideas and progress of CSR measures on a regular basis.
- Intercell has supported the non-profit organization EcoHimal since 2009 in its efforts to establish and improve a healthcare system in Nepal. EcoHimal provides regular updates on its latest achievements for the Company's Intranet and held a talk at the Intercell headquarters in December 2012.
- Intercell and the Statens Serum Institut further 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.
- In a Vienna-wide campaign, non-returnable plastic bottles for water were replaced by returnable bottles; additionally, reusable glass bottles were distributed to employees for everyday use to support tap water consumption.
- Leadership training was offered to middle management executives in order to support and strengthen the team.
- A program called "Vienna Culture Improvement" was launched by these executives in order to improve feedback, communication and responsibility within the Company
- Intercell is committed to maintaining a respectful way of interacting - especially during challenging times

An Intercell CSR working group consisting of members from the Human Resources Department, Supply Chain Management, the Facility Management, the Corporate Communications Department, and the General Management meets regularly to discuss ongoing and future CSR activities. This enables a constructive dialogue throughout different departments and creates awareness of existing efforts.

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 2012, Intercell continued to develop, strengthen, and implement measures, which support our open communication culture and our team spirit.

The commitment to our people starts by creating a lively, open, and friendly working environment including a transparent and fair compensation plan. In addition, on the job training, professional training, and profound leadership training – all of which are supported by the Company - help empower all employees towards the achievement of their personal and respective professional goals.

Intercell also supports employees who wish to take part in further education programs by offering flexible working hours. In addition, Intercell offers healthcare services, equal opportunities, and a working environment based on mutual trust and freedom.

Performance Management & Career Development

One of Intercell's most valuable business assets is its Performance Management and Development process. This process provides a common vision for all employees, and every individual plays a key role towards achieving both the Company's as well as their individual goals. Feedback discussions are held regularly and, twice a year, supervisors and employees discuss progress regarding the agreed goals. Intercell also emphasizes Talent Management, by training employees 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.

At the beginning of each year, Intercell encourages employees to decide which selected external training courses and conferences they need to attend over the year. 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.

At the end of 2012, Intercell AG had 146 employees: 58.9 percent of Intercell's staff are university graduates. The overall percentage of female employees is 58.9 percent The average age of the employees is 37.8 years.

2. Financial Review

The aggregate annual revenues increased from EUR 33.752k in the year ended December 31, 2011 to EUR 35.481k in the year ended December 31, 2012. Following the approval of the Japanese Encephalitis vaccine in the year 2009, the Company increased its revenues from product sales from EUR 9,016k in 2009 to EUR 14,223k in 2010 to EUR 23.497 in 2011 and to EUR 27,022k in 2012. Revenues from collaborations and licensing decreased from EUR 10,255k in the year 2011 to EUR 8,458k in the year 2012.

The net loss before taxes for the year ended December 31, 2012 was EUR 29,051k, compared to TEUR 67,745k in the year 2011. This change was mainly due to an increase in revenues, reduced personnel expenses, reduced impairment of financial assets (Intercell USA, Inc), but partly offset by an increase in other expenses.

Financial expenses, net of income was EUR 1,344k in the year ended December 31, 2012 compared to EUR 25,020k in the year ended December 31, 2011. This change resulted mainly from the impairment of financial assets (Intercell USA, Inc), which occurred in 2011.

As of December 31, 2012 the Company holds interests in three fully owned subsidiaries, Intercell USA, Inc., Intercell Biomedical Ltd. in Scotland, and Intercell Austria AG in Austria. An amount of TEUR 20,586 was paid to Intercell Biomedical Ltd., for the manufacturing of the vaccine against Japanese Encephalitis.

The Company has a branch in Schlieren, Switzerland. However, as Intercell is consolidating all eMAB® activities into Vienna, the branch in Schlieren will be closed in early 2013. In the fiscal year 2011 the Company issued an increase option in connection with the convertible note and separated it from the main contract. This increase option is shown under "other liabilities" on the balance sheet. This increase option expired during the year 2012 and as of December 31, 2012 the Company has no derivative financial instruments.

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,		
	2012	2011	2010
Revenues	35,481	33,752	21,849
Net loss	(29,054)	(67,696)	(209,279)
Securities, cash, cash on hand and bank balances, end of period	39,926	46,661	81,452

3. 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.

"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.

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.

4. 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 reach sustainable 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 (JE) 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 JE 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), the 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. 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.

Furthermore, 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. Under certain conditions such an event could occur with one of Intercell's major projects, such as its product candidate ‚Pseudomonas', which is currently in a clinical trial phase II/III. First pivotal data are expected in the second half of 2013.

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 a merger or acquisition, the process of integrating our existing operations with any newly acquired or merger partner business, technology, service or product 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 poor development 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.

5. Disclosure according to Section 243a of the Austrian Commercial Code

- As of December 31, 2012, the Company's share capital consists of 55,183,961 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 retain 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 8,408,258 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 2012, 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 will be accelerated in case of a change of control and all such options will become immediately exercisable. No stock options were granted in 2012. The Company has entered into contractual agreements with both 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.

6. Events after balance sheet date

On February 27, 2013, Intercell AG held an Extraordinary General Meeting in Vienna concerning the decision on the proposed merger of equals between Intercell AG and Vivalis SA to create Valneva SE.

The shareholders approved the transfer of the operating business of Intercell AG together with the participations listed in the demerger and acquisition agreement by way of a demerger from Intercell AG to Intercell Austria AG as the acquiring company in accordance with the provisions of the demerger and acquisition agreement dated January 16, 2013 and approved the conclusion of the relevant demerger and acquisition agreement dated January 16, 2013.

The shareholders approved the cross-border merger of Intercell AG as the transferring company by transfer of all of its assets and liabilities, with all rights and obligations and without going into liquidation - according to Article 17 para 2 lit. a of the EC Regulation (EC) No. 2157/2001 on the Statute for a European Company (SE) - to Vivalis SA with its seat in France as acquiring company in accordance with the provisions of the joint merger plan dated December 16, 2012 and an amendment to the merger plan dated January 18, 2013 and approved the joint merger plan dated December 16, 2012 and an amendment to the merger plan dated January 18, 2013.

The demerger is necessary in order to in future continue the Austrian business operations of Intercell AG as an Austrian subsidiary of the merged Valneva SE. The operative business of Intercell AG is to be split off by way of demerger into its subsidiary Intercell Austria AG with its registered office in Vienna. Thereafter, Intercell AG is to merge with Vivalis SA, which will take on the name Valneva SE and the legal structure of a European Company in the context of the cross-border merger.

On March 7, 2013 the shareholders of Vivalis SA have approved the proposed merger. The Companies expect the merger to close in May 2013.

The Company has decided to divest its eMAB® technology into a new subsidiary called Elatos GmbH which was founded in January 2013.

7. Operational and strategic outlook 2013

The year 2013 will focus on the creation of Valneva SE, a European biotech leader in vaccines and antibodies , which Intercell and the French company Vivalis plan to create in a merger of equals. The merger was announced in December 2012 and has been approved in February/March 2013 by the Extraordinary Shareholders' Meetings,of Intercell and Vivalis. It is planned to complete the merger in May 2013. The merger is subject to certain conditions and regulatory approvals and, as of the date of this annual report, additional steps are still required.

Valneva's business strategy
The merger will create an integrated company with greater scale and diversification, strengthened financial profile and complementary talent and capabilities.

- Combining complementary skills and capabilities from discovery to commercialization in vaccines and antibodies
- Diversified source of revenues (from marketed product and partnerships)
- Broad portfolio of product candidates (in-house/ partnered)
- Validated and commercialized technology platforms
- Significant expected cost synergies
- Increased scale and strong financial profile (de-risking path to profitability)
- Complementary and experienced management team

Valneva's vision is to become a leader in vaccine development and antibody discovery. By combining Intercell's expertise in developing products from bench to market with Vivalis' research and discovery capabilities, Valneva will be able to offer the full value chain of the merged companies.

As part of Valneva, the Company expects continued further growth in IXIARO®/JESPECT® product sales and will continue its financial strategy of targeted R&D spending and reduction of net loss. In addition, Valneva plans to strengthen its financial position through a capital increase of about 40 million.

Valneva's immediate objectives include to have a new vaccine development program to be developed as a second commercial product and to coherently discover novel antibody and vaccine candidates to unlock technology value while continuing to leverage existing partnerships and maximize the commercial value of the existing commercialized vaccine against Japanese Encephalitis. These objectives result in a multi-pronged approach to delivering value creation for Valneva shareholders over the near, medium and long term.

By executing on this strategy, Valneva will intend to have revenues of about €60-70m in the medium term, enabling financial self-sustainability with in-house Vaccine programs in all stages of development and more than 10 out-licensed antibody and vaccines programs in development. The progression of both in-house and partnered R&D programs will drive Valneva's financial performance, resulting in robust and sustainable value creation for the company's share and stakeholders.

Vienna, March 11, 2013

The Management Board

signed:

Thomas Lingelbach, CEO

signed:

DDr. Reinhard Kandera, CFO

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of Intercell AG, Vienna, for the fiscal year from January 1 to December 31, 2012. These financial statements comprise the balance sheet as of December 31, 2012, the income statement for the fiscal year ended December 31, 2012, and the notes.

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

The Company's management is responsible for the accounting system and for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2012 and of its financial performance for the fiscal year from January 1 to December 31, 2012 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

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

Vienna, March 11, 2013

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:

Aslan Milla
Austrian Certified Public Accountant

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

We confirm to the best of our knowledge that the 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 Austrian Code of Commerce and the Management Report gives a true and fair view of the development and performance of the business and the position of the company, togehter with a description of the principal risks and uncertainties the company faces.

Vienna, March 11, 2013

The Management Board

Thomas Lingelbach, CEO

DDr. Reinhard Kandera, CFO

The Financial Statements of Intercell AG for the fiscal year from January 1, 2012 to December 31, 2012, the Management Report, and the Audit Opinion thereof have been issued in German language in accordance with section 193 of the Austrian Commercial Code. We draw attention to the fact that this translation into English is provided for convenience purposes only and that only the German wording is legally binding.