

# Intercell

## Report on Q2 | H1 2009

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### INTERCELL AG ANNOUNCES Q2 AND H1 2009 RESULTS AND BUSINESS UPDATE

- » REALIZING IXIARO®'S COMMERCIAL POTENTIAL THROUGH GLOBAL LAUNCH ACTIVITIES AND MARKET EXPANSION
- » PHASE II TRIAL ENROLLMENT COMPLETED FOR SINGLE DOSE PANDEMIC INFLUENZA VACCINE WITH VACCINE ENHANCEMENT PATCH
- » START OF PHASE III STUDY EXPECTED FOR BEGINNING OF Q4 FOR TRAVELERS' DIARRHEA VACCINE PATCH
- » SOLID REVENUE GROWTH AND PROFITABILITY ANTICIPATED FOR FULL YEAR 2009



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### **Increasing IXIARO®'s commercial potential through global territory expansion**

- » IXIARO is now launched in Europe, USA, and Australia. The vaccine offers protection against Japanese Encephalitis for adults who travel to, or reside in, endemic areas.
- » At the end of June, the U.S. Centers for Disease Control and Prevention (CDC) Advisory Committee on Immunization Practices (ACIP) updated and strengthened its previous recommendations regarding Japanese Encephalitis Vaccination. Vaccination is now recommended for travelers to Asian countries where the disease is endemic, as well as for U.S. citizens living in such high-risk areas. (<http://www.cdc.gov/vaccines/recs/provisional/downloads/je-july2009-508.pdf>)
- » An exclusive, multi-year contract has been executed between Intercell and the U.S. Department of Defense (DoD) for the purchase of IXIARO. Intercell will directly distribute and market IXIARO to the U.S. military. First product deliveries into the military supply chain are on track.
- » Approvals in other markets (i.e. Canada, Switzerland) and Phase IV/post marketing studies are expected to commence soon.
- » Phase III pediatric clinical studies in the USA, Europe, and Asia are expected to be initiated in H2 2009.
- » The first pediatric licensure is expected in India at end of 2010, and the IXIARO pediatric label extension for travelers older than six months of age is expected in 2012.

### **Completed enrollment in a Phase II trial for an investigational Vaccine Enhancement Patch to enable a single dose of Pandemic Influenza vaccine, together with the U.S. Department of Health and Human Services (HHS)**

- » Phase II randomized and blinded clinical trial investigating the effectiveness of Intercell's Vaccine Enhancement (VE) Patch in combination with an injectable H5N1 Pandemic Influenza vaccine in approximately 500 subjects has completed enrollment. The study is being conducted at six study sites in the U.S.
- » The study is completely funded by the U.S. Department of Health and Human Services (HHS) and represents the second clinical study conducted under a 5-year USD 128m contract with the HHS.
- » Intercell's VE Patch is designed to reduce the vaccine dosage and to improve protection against an H5N1 Pandemic Influenza outbreak with a single dose vaccine application resulting in a significant advantage in future Pandemic Influenza vaccination strategies.

### **Start of first Phase III clinical study for Travelers' Diarrhea Vaccine Patch is now planned for beginning of Q4 2009 – Development of the global H1N1 Flu situation still being monitored, but expected to allow study start in Mexico and Guatemala**

- » The start of the first pivotal Phase III clinical study for the Traveler's Diarrhea Vaccine Patch is planned for the beginning of Q4 2009.
- » Due to the H1N1 Pandemic Influenza outbreak earlier this year, Intercell postponed its planned Phase III trial in Mexico and Guatemala. In close alignment with the relevant regulatory bodies, Intercell has started preparatory activities for the trial start, still subject to close monitoring of the further development of the H1N1 Flu situation.
- » The planned randomized, placebo-controlled Phase III study will include approximately 1,800 people traveling from Europe to Mexico and Guatemala, and will evaluate the prevention of Diarrhea in a pivotal efficacy setting.
- » In parallel, additional Phase II trials with subjects from the USA and Europe will be conducted in the USA and Asia to strengthen the development towards global licensure with the broadest indication and label claim possible.
- » Earlier Phase II clinical trials showed that travelers who were vaccinated were significantly less likely to suffer from clinically significant Diarrhea.

### Update for investigational *S. aureus* vaccine (V710) clinical program

- » Collaborator Merck & Co., Inc. informed Intercell that study recruitment in the Phase II/III proof of concept clinical trial of the investigational *S. aureus* vaccine is progressing. However, the first critical interim analysis (surpassing futility) will be delayed beyond 2009 due to slower than anticipated enrollment and accrual of *S. aureus* infections to date.
- » The Phase II/III clinical study is designed to evaluate investigational vaccine efficacy/safety in patients undergoing cardiothoracic surgery.
- » The double blind, randomized, placebo-controlled trial utilizes an adaptive (group-sequential) design incorporating several interim analyses to evaluate accrued data and allow for objective assessment of study progress.
- » The study involves more than 90 centers in 18 countries, including the USA, Europe, South America, and Japan.

### Update for investigational *Pseudomonas aeruginosa* vaccine

- » Phase II study to prevent infections with the bacterium *Pseudomonas aeruginosa*, which was started at the end of 2008, is progressing on schedule. The study is conducted at 48 study sites in nine countries (Europe and South America).
- » The first target indication is active immunization against *Pseudomonas aeruginosa* in Intensive Care Unit (ICU) patients to prevent Ventilator-Associated Pneumonia (VAP) and Bacteremia.
- » First data expected by the end of 2009.

### Pipeline vaccines – development according to plan

- » ***Streptococcus pneumoniae* vaccine:** In April, Intercell announced the start of a clinical Phase I trial with the Company's protein-based vaccine. Initial results are expected by the end of 2009. The program is financially supported by PATH.
- » **Therapeutic Hepatitis C vaccine** – the strategic partnering process is ongoing.
- » **Tuberculosis vaccine** – Phase I/II clinical programs are proceeding according to plan. These programs are based on a partnership among Intercell, Statens Serum Institut, Sanofi Pasteur, and the AERAS Global Tuberculosis Foundation.

### Other/Management Board

- » In June, Intercell was awarded the prestigious European Mediscience Award granted by Piper Jaffray, and was named "Company of the Year" by the British Bio Industry Association in London.
- » In July, the City of Vienna awarded Alexander von Gabain, Chief Scientific Officer of Intercell, the City's Prize for Natural and Technical Sciences 2009 honoring his achievements in science and translational research.
- » In August 2009, Intercell's ADRs began trading on the OTCQX international market in the United States under the symbol INRLY. Investors can find current financial disclosure and real-time Level 2 quotes for the Company on [www.otcqx.com](http://www.otcqx.com) and [www.pinksheets.com](http://www.pinksheets.com).

### Financial Statement

- » First product sales in Europe and the USA – totaling EUR 2.9m in H1 2009.
- » Intercell's aggregate revenues for the first half year increased to EUR 20.3m, an increase of 15.2% as compared to the same period in 2008.
- » Strong cash position with EUR 154.4m.

**Key Financial Figures**

EUR in thousands	3 months ended		6 months ended		Year ended Dec 31, 2008
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	
Revenues	14,897	9,018	20,321	17,642	55,763
Net profit/(loss)	(3,078)	(4,032)	(11,254)	(8,650)	17,175
Net operating cash flow	(14,364)	(12,578)	(28,570)	(25,386)	(10,186)
Cash and available-for-sale financial assets, end of period	154,390	258,287	154,390	258,287	190,865

**Company profile**

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

The Company's technology platforms include an antigen-discovery system, adjuvants, and a novel patch-based delivery system (Vaccine Patch, Vaccine Enhancement Patch). Based on these technologies, Intercell has strategic partnerships with a number of global pharmaceutical companies, including Novartis, Merck & Co., Inc., Wyeth, and Sanofi Pasteur.

The Company's pipeline includes a Travelers' Diarrhea Vaccine Patch (Phase II completed/Phase III start expected Q4 2009), a Pseudomonas vaccine candidate (Phase II), a Vaccine Enhancement Patch to prevent Pandemic Influenza in combination with an injected vaccine (Phase II), a vaccine program for *S. aureus*, which is being developed with Merck & Co., Inc. (Phase II/III), as well as a vaccine candidate for Pneumococcus (Phase I). In addition, three other products focused on infectious diseases are in pre-clinical development.

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

### OPERATIONAL BUSINESS AND STRATEGY REVIEW

#### First product on the market – Vaccine to prevent Japanese Encephalitis – Increasing IXIARO's commercial potential through global territory expansion

Intercell reports that IXIARO is now launched in Europe, the USA, and Australia. The vaccine offers protection against Japanese Encephalitis for adults who travel to, or live in, endemic and epidemic areas. At the end of June, Intercell announced that the U.S. Centers for Disease Control and Prevention (CDC) Advisory Committee on Immunization Practices (ACIP) voted to update and strengthen its previous recommendations and include IXIARO, a new Japanese Encephalitis (JE) vaccine for travelers to countries in Asia where the disease is endemic, as well as Americans living in such high-risk areas.

ACIP made significant changes to their previous Japanese Encephalitis recommendations, last updated in 1993, noting that many more travelers are now visiting areas where the disease is endemic. In addition to recognizing the recent licensure of IXIARO, the committee's expanded recommendations urged clinicians to consider vaccinating travelers visiting endemic areas during the transmission season, even those on short-term visits, if they plan to spend a substantial amount of time outdoors. The panel also concluded that IXIARO, which is derived from a well-established cell line and does not contain stabilizers or preservatives, has a lower risk of vaccine-associated adverse events than older Japanese Encephalitis vaccines.

For details, please see: <http://www.cdc.gov/vaccines/recs/provisional/downloads/je-july2009-508.pdf>

Intercell also reported that the Company has successfully entered into a multi-year contract with the Defense Logistics Agency (DLA), the Defense Supply Center of the U.S. Department of Defense, to supply IXIARO. Under this contract, first product deliveries into the military supply chain are on track.

The supply contract was negotiated in response to a Request for Proposals (RFP) issued by the DLA in August 2008. The parties were able to move forward to finalize the contract after IXIARO was approved by the Food and Drug Administration on March 30, 2009.

The major terms of this contract are as follows:

- » Exclusive contract for Intercell to supply DLA with all their requirements for JE vaccine
- » Five-year contract, with annual options for price modifications

With a mortality rate that can exceed 30 %, Japanese Encephalitis is a clear danger to the thousands of military personnel – and their families – that are stationed in areas where the disease is endemic. IXIARO will provide a new level of protection for this group of people at risk.

Intercell expects approvals in other markets (i.e. Canada, Switzerland) as well as Phase IV/post-marketing studies to commence soon.

In the event Intercell receives a potential priority review voucher linked to the IXIARO approval in the USA, the Company has granted an option to Novartis to use the voucher for a future product.

Regarding the pediatric vaccine, Intercell expects the initiation of Phase III clinical studies in the USA, Europe and Asia to extend the label for children in H2 2009. The first pediatric licensure is expected in India by the end of 2010 and IXIARO pediatric label extension for travelers above six months of age is expected by 2012.

### Single dose investigational Pandemic Influenza Vaccine: All subjects enrolled for an investigational Vaccine Enhancement Patch (VEP), together with the U.S. Department of Health and Human Services (HHS)

In May, Intercell announced that it started a Phase II clinical trial and advanced its efforts to develop its VE Patch (single dose vaccine) to improve prevention of H5N1 Pandemic Influenza.

The randomized and blinded study aims to determine the optimal dosage of both Intercell's VE Patch and the H5N1 Pandemic Influenza vaccine injected concomitantly, when combined with each other in a single dose regimen. The H5N1 Pandemic Influenza vaccine tested in the study comprises Intercell's VE Patch and an injectable H5N1 Influenza vaccine manufactured by Solvay Biologicals, B.V. (Netherlands).

The Phase II study is fully recruited and enrolled approximately 500 subjects at six study sites in the USA.

Intercell's VE Patch is designed to reduce the dosage and to improve protection against an H5N1 Pandemic Influenza.

The recent H1N1 Influenza outbreak certainly highlights the important global public health need in this area. If Intercell achieves the goal of successfully protecting individuals with only a single dose of vaccine plus patch, this could imply an enormous logistical advantage by significantly improving immunization in a pandemic situation.

The study is fully funded by HHS (U.S. Department of Health and Human Services) and is the second study conducted under a 5-year USD 128 million contract with the HHS.

### Start of first Phase III for Travelers' Diarrhea Vaccine Patch is now planned for beginning of Q4 2009 – Development of the global H1N1 Flu situation still being monitored, but expected to allow study start in Mexico and Guatemala

Intercell reports that the start of the first pivotal Phase III clinical study for the Traveler's Diarrhea Vaccine Patch is planned for the beginning of Q4 2009.

Due to the H1N1 Pandemic Influenza outbreak earlier this year, Intercell postponed its planned Phase III trial in Mexico and Guatemala. In April, the Company informed regulators, partners, and other parties involved in its planned pivotal Phase III efficacy study that the Company will initiate this clinical trial when the H1N1 Flu outbreak in Mexico has been resolved.

In close alignment with the respective regulatory bodies, Intercell has restarted preparatory activities for the trial start, which are subject to close monitoring of the further development of the H1N1 Flu situation.

The first planned randomized, placebo-controlled Phase III study will include about 1,800 people traveling from Europe to Mexico and Guatemala and will evaluate the prevention of Diarrhea in a first pivotal efficacy setting. In parallel, additional Phase II trials with subjects from the USA and Europe will be conducted in the USA and Asia to strengthen the development towards global licensure with the broadest indication and label claim possible.

Earlier Phase II clinical trials showed that travelers who were vaccinated were significantly less likely to suffer from clinically significant Diarrhea.

### S. aureus vaccine (V710) clinical program to prevent hospital-acquired bacterial infections

Intercell has been informed by its collaborator Merck & Co., Inc. that study recruitment in the Phase II/III proof of concept clinical trial of V710, an investigational *Staphylococcus aureus* vaccine, is progressing. However, the first critical interim analysis (surpassing futility) will be delayed beyond 2009 due to slower than anticipated enrollment and accrual of *S. aureus* infections to date.

The Phase II/III is designed to evaluate investigational vaccine efficacy/safety in patients undergoing cardiothoracic surgery.

The double blind, randomized, placebo-controlled trial utilizes an adaptive (group-sequential) design incorporating several interim analyses to evaluate accrued data and allow for objective assessment of study progress.

The study involves more than 90 centers in 18 countries, including the USA, Europe, South America, and Japan.

The *S. aureus* vaccine candidate is based on a conserved protein antigen discovered by Intercell and licensed to Merck & Co., Inc. in 2004 on an exclusive world-wide basis. Merck is responsible for clinical development, manufacturing, and marketing. Intercell is eligible to receive milestone payments and royalties on future net sales. In Phase I clinical trials, the *S. aureus* candidate vaccine was shown to be immunogenic and generally well tolerated.

### Update for investigational *Pseudomonas aeruginosa* vaccine candidate

The Phase II clinical trial with the vaccine candidate to prevent infections caused by the bacterium *Pseudomonas aeruginosa* that was started at the end of 2008 is progressing on schedule.

Intercell's vaccine candidate is a recombinant subunit vaccine consisting of two outer membrane proteins of *Pseudomonas aeruginosa*. In the Phase II clinical trial, mechanically ventilated intensive care patients, who are at particularly high risk of acquiring severe and often life-threatening forms of *Pseudomonas aeruginosa* infections, such as Ventilator-Associated Pneumonia, Sepsis or soft tissue infection, will be vaccinated with Intercell's prophylactic *Pseudomonas aeruginosa* vaccine. Two different dosages will be used in the trial. The dosages and vaccination schedule have been identified in a Phase I study initiated earlier this year.

For the current Phase II clinical trial, about 400 patients will be enrolled in more than 50 intensive care units in 11 countries in Europe and Latin America. The study aims to show induction of protective antibody responses against *Pseudomonas aeruginosa*. Antibodies are known to be the "primary line of defense" of our immune system against the intruding bacteria and are therefore the targeted immune response to be measured in the trial. Additionally, the patients will be followed up for infections caused by *Pseudomonas aeruginosa*, including Pneumonia, Sepsis, wound infections, urinary tract infections or Tracheobronchitis. The overall benefit and quality of life will be assessed by parameters such as the length of ICU and hospital stay or the number of antibiotic-free days.

First data are expected by the end of 2009.

### Pipeline Vaccines: Development according to plan

**Streptococcus pneumoniae vaccine:** In April 2009, Intercell announced the start of a clinical Phase I trial with the Company's protein-based vaccine candidate to prevent disease caused by the bacterium *Streptococcus pneumoniae*. Intercell's vaccine candidate is a recombinant subunit vaccine consisting of three conserved surface proteins from *Streptococcus pneumoniae*. Two of these proteins were discovered using Intercell's proprietary Antigen Identification Program (AIP®), while the third was in-licensed from the U.S. Centers of Disease Control and Prevention (CDC). This Phase I trial is a first-in-man study with a goal to obtain safety and immunogenicity data in a small population of healthy adults. Thirty-two subjects will be enrolled in this open-label study.

Initial results are expected by the end of 2009 – the program is financially supported by PATH.

**Therapeutic Hepatitis C vaccine:** Intercell reports that the strategic partnering process is ongoing.

**Tuberculosis vaccine:** The Phase I/II clinical programs are proceeding according to plan. The project is a partnership among Intercell, Statens Serum Institut, Sanofi Pasteur, and the AERAS Global Tuberculosis Foundation.

### Other/Management Board

In June, Intercell was awarded the prestigious European Mediscience Award granted by Piper Jaffray, and was named "Company of the Year" by the British Bio Industry Association in London.

In July, the City of Vienna awarded Alexander von Gabain, Chief Scientific Officer of Intercell, the City's Prize for Natural and Technical Sciences 2009 honoring his achievements in science and translational research. This award is the most significant prize awarded by the City of Vienna in the field of natural sciences.

In August 2009, Intercell's ADRs began trading on the OTCQX international market in the United States under the symbol INRLY. Investors can find current financial disclosure and real-time Level 2 quotes for the Company on [www.otcqx.com](http://www.otcqx.com) and [www.pinksheets.com](http://www.pinksheets.com).

### Q2 2009 FINANCIAL REVIEW

#### Revenues

Having successfully generated first revenues from its Japanese Encephalitis vaccine in Q1 2009, the Company increased its revenues from product sales to EUR 2.4 m in Q2 2009. The Company increased aggregate revenues from EUR 9.0m in Q2 2008 to EUR 14.9m in Q2 2009, or by 65.2%. This improvement was due to product sales and an increase in revenues from collaborations, licensing and grants, which were EUR 9.0m in Q2 2008 and EUR 12.5m in Q2 2009. Collaboration and licensing revenues in Q2 2009 include EUR 5.0m from Novartis following approval and launch of IXIARO in the USA. Revenues from grants increased from EUR 0.2m in Q2 2008 to EUR 2.7m in Q2 2009. The Company's revenues from collaborations, licensing, and grants generally depend on the achievement of milestones or on the effective date of new agreements, which results in significant fluctuations in these revenues from period to period.

#### Results of Operations

Intercell's net loss decreased from EUR 4.0m in Q2 2008 to EUR 3.1m in Q2 2009.

This decrease was primarily due to an increase in revenues and an increase in income tax income. Cost of goods sold was EUR 2.7m, of which EUR 2.4m was directly attributable to vaccine sales in Q2 2009 and EUR 0.3m was due to inventory write-offs. The latter resulted from write-offs of unfinished products.

Research and development expenses increased from EUR 11.9m in Q2 2008 to EUR 13.6m in Q2 2009, or by 14.9%. This increase was mainly due to expenses incurred at Intercell USA, Inc., which was acquired in August 2008 and therefore not included in Q2 2008. Intercell's general, selling, and administrative expenses increased moderately by 7.9% from EUR 4.1m in Q2 2008 to EUR 4.4m in Q2 2009, also due to the expansion in the USA. Net other operating income was EUR 0.8m in Q2 2008, compared to net other operating expenses of EUR 0.8m in Q2 2009, mainly attributable to higher foreign exchange losses in Q2 2009, but partly offset by gains from sale of property, plant, and equipment.

#### Finance Results and Tax

Finance income, net of expenses, was EUR 2.3m in Q2 2008 and EUR 0.7m in Q2 2009. This decrease was due to lower interest rates and reduction of available-for-sale financial assets as well as higher finance expenses and realization of book losses on available-for-sale financial assets. Income tax income of EUR 2.9m resulted from the recognition of deferred income tax assets from tax losses in Q2 2009, which will be carried forward to offset future income tax obligations.

### H1 2009 FINANCIAL REVIEW

#### Revenues

Intercell's aggregate revenues increased from EUR 17.6m in H1 2008 to EUR 20.3m in H1 2009, or by 15.2%. Product sales of IXIARO amounted to EUR 2.9m in H1 2009. Revenues from collaborations, licensing, and grants decreased slightly from EUR 17.6m in H1 2008 to EUR 17.5m in H1 2009.

#### Results of Operations

Intercell's net loss increased from EUR 8.7m in H1 2008 to EUR 11.3m in H1 2009. The increase in net loss was mainly due to higher research and development expenses, which were partly offset by an increase of revenues and an increase in income tax income.

Research and development expenses increased from EUR 22.3m in H1 2008 to EUR 28.7m in H1 2009, or by 28.9%. General, selling and administrative expenses increased by 11.3% from EUR 7.3m in H1 2008 to EUR 8.2m in H1 2009. The increase in research and development expenses and in general, selling and administrative expenses was mainly due to expenses incurred at Intercell USA, Inc., which was acquired in August 2008.

Net other operating income, net of expenses, was EUR 0.5m in H1 2008, compared to EUR 0.4m in H1 2009.

### Finance Results and Tax

Financial income, net of expense was EUR 2.9m in H1 2008 compared to EUR 1.7m in H1 2009. This decrease was due to lower income on liquid funds and the reduction of available-for-sale financial assets.

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

### Cash Flow and Capital Resources

Intercell's net cash used in operating activities was EUR 25.4m in H1 2008, compared to EUR 28.6m in H1 2009. This increase was primarily due to higher research and development expenses.

Net cash used in investing activities was EUR 122.2m in H1 2008, compared to net cash generated from investing activities of EUR 6.6m in H1 2009. The cash used in investing activities in H1 2008 resulted primarily from investments in short-term, available-for-sale financial assets for cash management purposes. Without giving effect to investments in, and proceeds from, the sale of securities, the net cash used in investing activities was EUR 2.0m in H1 2008 and EUR 9.7m in H1 2009. This increase in net cash used in investing activities resulted mainly from the capitalization of development costs as intangible assets.

Intercell's net cash used in financing activities was EUR 0.1m in H1 2008, compared to net cash generated from financing activities of EUR 1.3m in H1 2009 and resulted primarily from proceeds from borrowings.

As of June 30, 2009, Intercell had liquid funds of EUR 154.4m, EUR 9.8m of which was cash and EUR 144.6m were available-for-sale financial assets.

EUR in thousands	3 months ended		6 months ended		Year ended
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	Dec 31, 2008
Revenues	14,897	9,018	20,321	17,642	55,763
Net profit/(loss)	(3,078)	(4,032)	(11,254)	(8,650)	17,175
Net operating cash flow	(14,364)	(12,578)	(28,570)	(25,386)	(10,186)
Cash and available-for-sale financial assets, end of period	154,390	258,287	154,390	258,287	190,865

### Risks

As a biotech company that has only recently launched its first product and therefore has not generated significant revenues from the commercial product sales, Intercell is subject to industry-specific risks. Management has undertaken considerable efforts with establish a risk management system in order to monitor and mitigate the risks associated with its business. However, the Company remains exposed to significant risk; in particular including the following:

The Company needs to gain market acceptance for its first product in order to recover significant development costs that it has incurred. 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. Biological manufacturing is subject to government regulation and regular inspection. In case of failure to comply with regulatory requirements, the Company's manufacturers' license may be suspended or revoked. The risk of suspension or revocation of a manufacturers' license also applies to third party manufacturers with whom the Company contracts for manufacturing services.

The Company's research and development activities, and in particular its late-stage clinical trial programs, involve substantial expenditure. The result of these research and development activities is inherently uncertain and the Company may experience delays or failures in clinical trials. The Company will require regulatory approvals from the U.S. Food and Drug Administration (FDA), European Medicines Agency (EMA), and other relevant regulatory agencies in order to continue to develop and commercialize its product candidates. If the Company is unable to gain approval for its novel vaccine candidates – invented in-house or acquired – it may not be able to recover its investments in product development activities or acquisitions.

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

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

In order to manage the risks associated with its business activities, the Company maintains a risk management system and continuously evaluates the risk-reward profile of its research and development programs and other business activities. The Management mitigates the risk inherent to the Company's business as an innovative biotech company by maintaining a broadly diversified mix of development programs in different indications and stages of development, as well as its own and collaborative development activities.

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2009**

**Introduction**

We have reviewed the accompanying condensed consolidated interim financial statements of Intercell AG, Vienna, for the period from January 1 to June 30, 2009. The condensed consolidated interim financial statements comprise the condensed consolidated balance sheet as of June 30, 2009, the condensed consolidated income statement, the condensed statement of comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the period from January 1 to June 30, 2009 as well as the explanatory notes.

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

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

**Scope of review**

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

**Conclusion**

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

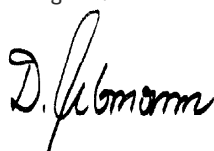
**Comment on the semi-annual management report for the Group and on the declaration of the legal representatives in accordance with Section 87 BörseG (Austrian Stock Exchange Law)**

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

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

Vienna, August 12, 2009

PwC Wirtschaftsprüfung GmbH  
Wirtschaftsprüfungs- und  
Steuerberatungsgesellschaft  
signed:



Dorotea-E. Rebmann  
Austrian Certified Public Accountant

The condensed consolidated interim financial statements of Intercell AG as of June 30, 2009, the semi-annual management report for the Group and the report on review thereon have been issued in German language in accordance with Section 85 (1) Stock Exchange Law. We draw attention to the fact that this translation into English is presented for convenience purposes only and that the German wording is the only legally binding version.

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (UNAUDITED)**

EUR in thousands (except shares and per share amounts)	Three months ended June 30,		Half year ended June 30,	
	2009	2008	2009	2008
<b>Revenues</b>	14,897	9,018	20,321	17,642
Product sales	2,441	-	2,853	-
Revenues from collaborations, licensing and grants	12,456	9,018	17,468	17,642
<b>Cost of goods sold</b>	(2,700)	-	(4,259)	-
<b>Gross profit</b>	12,196	9,018	16,062	17,642
Research and development expenses	(13,648)	(11,878)	(28,708)	(22,276)
General, selling and administrative expenses	(4,442)	(4,116)	(8,152)	(7,326)
Other income/(expenses), net	(769)	767	444	541
<b>OPERATING LOSS</b>	(6,662)	(6,210)	(20,355)	(11,419)
Finance income	1,620	2,425	3,071	4,557
Finance expenses	(967)	(146)	(1,335)	(1,649)
<b>LOSS BEFORE INCOME TAX</b>	(6,009)	(3,930)	(18,618)	(8,511)
Income tax (expense)/income	2,931	(102)	7,364	(138)
<b>LOSS FOR THE PERIOD</b>	(3,078)	(4,032)	(11,254)	(8,650)
<b>Losses per share</b> for loss attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)	(0.07)	(0.09)	(0.24)	(0.19)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

EUR in thousands (except shares and per share amounts)	Three months ended June 30,		Half year ended June 30,	
	2009	2008	2009	2008
Loss for the period	(3,078)	(4,032)	(11,254)	(8,650)
Other comprehensive income				
Fair value losses on available-for-sale financial assets	-	(353)	(348)	(876)
Currency translation differences	(7,500)	11	(1,249)	(320)
<b>Total comprehensive income for the period attributable to the owners of the Company</b>	(10,578)	(4,374)	(12,851)	(9,846)

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)**

EUR in thousands	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>262,977</b>	<b>255,074</b>
Property, plant and equipment	52,847	50,834
Intangible assets	186,787	181,501
Deferred income tax assets	23,154	22,542
Other non-current assets	189	197
<b>Current assets</b>	<b>174,900</b>	<b>211,491</b>
Inventory	6,022	4,893
Trade receivables and other current assets	14,488	15,733
Available-for-sale financial assets	144,589	160,969
Cash and cash equivalents	9,801	29,896
<b>TOTAL ASSETS</b>	<b>437,877</b>	<b>466,565</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's equity holders</b>	<b>338,010</b>	<b>348,757</b>
Share capital	422,751	420,658
Other reserves	12,624	14,220
Retained earnings	(97,365)	(86,121)
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>	<b>45,242</b>	<b>50,677</b>
Borrowings	30,195	28,920
Other long-term liabilities	401	409
Deferred income tax liabilities	14,646	21,348
<b>Current liabilities</b>	<b>54,625</b>	<b>67,132</b>
Trade and other payables	14,569	19,854
Borrowings	1,980	1,890
Deferred income	38,076	45,388
<b>Total liabilities</b>	<b>99,867</b>	<b>117,809</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>437,877</b>	<b>466,565</b>

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED)**

EUR in thousands	Six months ended June 30,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	(11,254)	(8,650)
Depreciation and amortization	2,620	1,042
Share-based compensation	2,096	1,808
Tax	(7,365)	138
Other adjustments for reconciliation to cash used in operations	(1,822)	(1,704)
Changes in working capital	(12,206)	(18,003)
<b>Cash used in operations</b>	<b>(27,931)</b>	<b>(25,369)</b>
Interest paid	(623)	(13)
Income tax paid	(16)	(3)
<b>Net cash used in operating activities</b>	<b>(28,570)</b>	<b>(25,386)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(4,150)	(4,146)
Proceeds from sale of property, plant and equipment	584	-
Purchases and development of intangible assets	(8,254)	(81)
Purchases of available-for-sale financial assets	-	(140,114)
Proceeds from sale of available-for-sale financial assets	16,250	19,843
Interest received	2,164	2,270
<b>Net cash generated from/(used in) investing activities</b>	<b>6,595</b>	<b>(122,229)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock, net of costs of equity transactions	(3)	(36)
Proceeds from borrowings	2,334	285
Repayment of borrowings	(986)	(349)
<b>Net cash generated from/(used in) financing activities</b>	<b>1,346</b>	<b>(100)</b>
<b>Net decrease in cash</b>	<b>(20,629)</b>	<b>(147,715)</b>
Cash at beginning of the period	29,896	161,043
Exchange gains on cash	534	85
<b>Cash at end of the period</b>	<b>9,801</b>	<b>13,413</b>
<b>Cash, short-term deposits and marketable securities at end of the period</b>	<b>154,390</b>	<b>258,287</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

EUR in thousands	Share capital	Other reserves	Retained earnings	Total equity
Balance at January 1, 2008	363,607	4,202	(103,183)	264,625
Total comprehensive income	-	(1,196)	(8,650)	(9,846)
Employee share option plan - value of employee services	1,808	-	-	1,808
Deferred tax on share option scheme	-	-	91	91
Balance at June 30, 2008	365,415	3,006	(111,742)	256,679
Balance at January 1, 2009	420,658	14,220	(86,121)	348,757
Total comprehensive income	-	(1,597)	(11,254)	(12,851)
Employee share option plan - value of employee services	2,096	-	-	2,096
Deferred tax on share option scheme	-	-	10	10
Cost of equity transactions	(3)	-	-	(3)
Balance at June 30, 2009	422,751	12,624	(97,365)	338,010

**SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of preparation**

These condensed consolidated interim financial statements of Intercell AG (the “Company”) for the six months ended June 30, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34). The accounting policies adopted are consistent with those of the consolidated annual financial statements for the year ended December 31, 2008. These condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2008.

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

**2. Segment reporting**

The Company operates in a single business segment and in a single geographical segment.

**3. Fluctuation of revenues**

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

#### 4. Intangible assets

EUR in thousands	Software	Production technology	Acquired R&D	Development costs	Total
At January 1, 2008	311	21	18,924	-	19,256
Exchange rate differences	-	2	-	-	2
Additions	81	-	-	-	81
Amortization charge	(60)	(10)	-	-	(70)
At June 30, 2008	332	10	18,924	-	19,266
At June 30, 2008					
Cost	604	59	18,924	-	19,525
Accumulated depreciation	(272)	(50)	-	-	(285)
Net book value	332	10	18,924	-	19,266
At January 1, 2009	488	-	181,013	-	181,501
Exchange rate differences	2	-	2,489	-	2,491
Additions	288	-	3,013	4,727	8,028
Amortization charge	(155)	-	(46)	(51)	(252)
At June 30, 2009	620	-	181,492	4,675	186,787
At June 30, 2009					
Cost	1,366	-	181,537	4,727	187,630
Accumulated depreciation	(746)	-	(46)	(51)	(843)
Net book value	620	-	181,492	4,675	186,787

#### 5. Share capital

EUR in thousands (except number of shares)	Shares issued		Capital from ESOP*	Treasury Shares		Total share capital
	Number of shares	Capital paid in		Number of shares	Book value	
Balance at January 1, 2008	45,521,707	354,983	8,998	385,889	(373)	363,607
Employee share option plan: - value of employee services	-	-	1,808	-	-	1,808
Balance at June 30, 2008	45,521,707	354,983	10,806	385,889	(373)	365,415
Balance at January 1, 2009	47,234,603	405,663	15,344	360,889	(349)	420,658
Employee share option plan: - value of employee services	-	-	2,096	-	-	2,096
Cost of equity transactions	-	(3)	-	-	-	(3)
Balance at June 30, 2009	47,234,603	405,659	17,440	360,889	(349)	422,751

\* Employee Share Option Plan

**6. Subsequent events**

In connection with the exercise of stock options by members of the Management Board, Supervisory Board and employees, the Company issued 269,292 new shares and transferred 12,500 shares of treasury stock to the beneficiary option holders in July 2009.

Vienna, August 12, 2009


The Management Board



GERD ZETTLMEISSL, CEO



ALEXANDER VON GABAIN, CSO



THOMAS LINGELBACH, COO

The condensed consolidated interim financial statements of Intercell AG as of June 30, 2009 and the report on review thereon have been issued in German language in accordance with Section 85 (1) Stock Exchange Law. We draw attention to the fact that this translation into English is presented for convenience purposes only and that the German wording is the only legally binding version.

**STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD PURSUANT TO SECTION 87 (1) OF THE AUSTRIAN STOCK EXCHANGE ACT**

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

Vienna, August 12, 2009

The Management Board



GERD ZETTLMEISSL, CEO



ALEXANDER VON GABAIN, CSO



THOMAS LINGELBACH, COO



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