Annual Financial Report of

Intercell AG

as of December 31, 2012

Intercell AG

Campus Vienna Biocenter 3
1030 Vienna
Austria

www.intercell.com

IDEAS TO CHANGE THE WORLD 2012

CONTENTS

PREFACE

THE CURIOSITY FOR THINGS THAT HAVE NEVER BEEN TRIED BEFORE. THE DESIRE TO VENTURE ALONG PATHS THAT DO NOT YET EXIST. THE DELIGHT IN IDEAS THAT HARDLY ANYONE DEEMS POSSIBLE. THIS IS WHAT SPURS US ON, WHAT STRENGHTENS US, WHAT DRIVES US FORWARD.

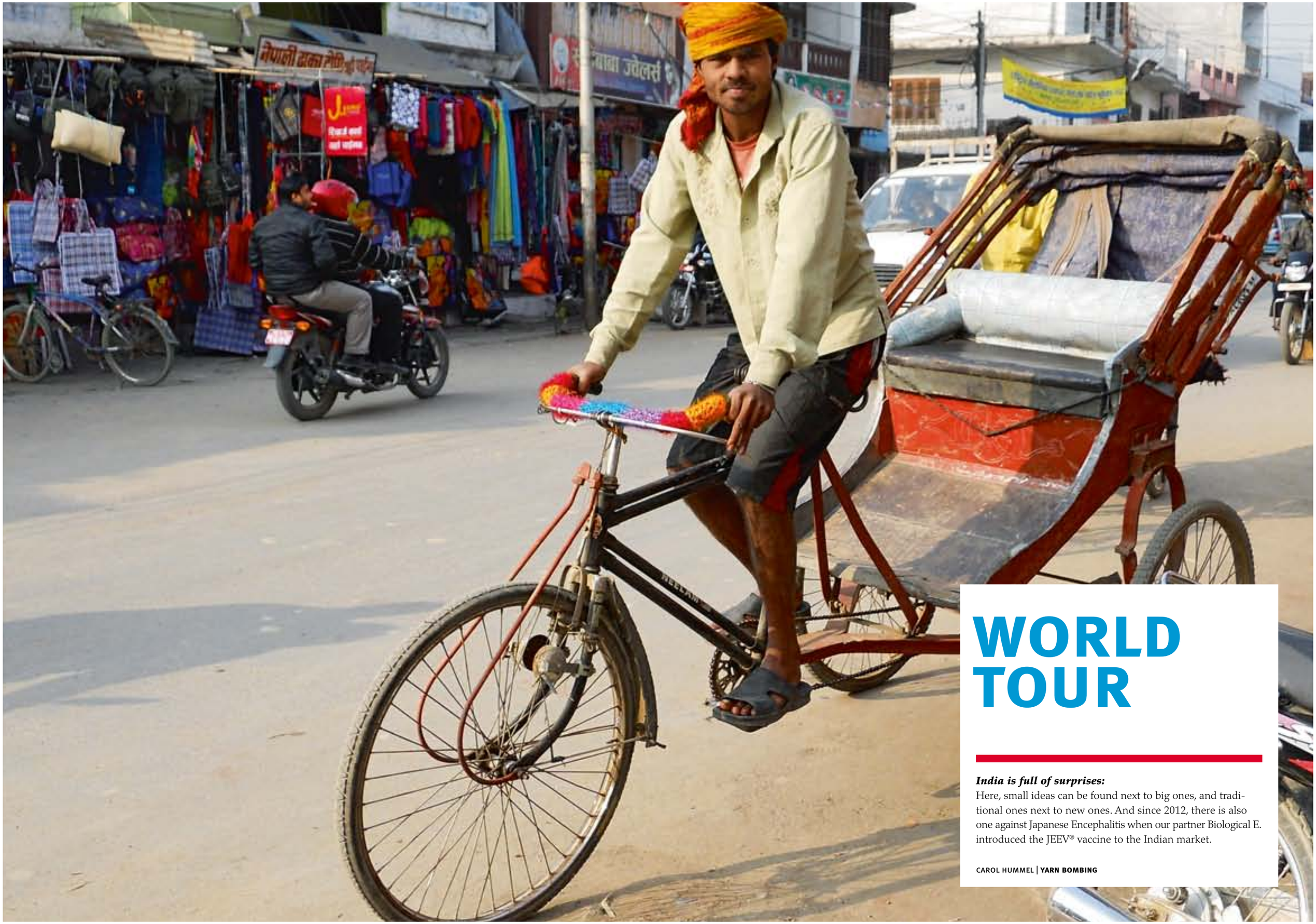
AND MORE OFTEN THAN NOT, THIS IS WHAT CHANGES THE WORLD. IT IS GREAT TO THINK THAT OUR EMPLOYEES, THEIR IDEAS AND THEIR WORK, CONTRIBUTE TO THIS GOAL.

EVEN GLOBAL SUCCESS EVOLVES FROM HUMBLE BEGINNINGS. THERE, WHERE PEOPLE DO NO MORE THAN SHARE A PASSION. A PASSION THAT SOMETIMES IS NOTHING MORE THAN ABOUT CONQUERING THE WORLD WITH COLOURFUL THREADS.

STANDING TALL

Some ideas just keep on growing:
Today, our IXIARO®/JESPECT® vaccine against Japanese Encephalitis is licensed in more than 30 countries, bringing our product sale volumes to new heights.

GRRL+DOG | **VIVA LA GONG KNIT TREE**



WORLD TOUR

India is full of surprises:
Here, small ideas can be found next to big ones, and traditional ones next to new ones. And since 2012, there is also one against Japanese Encephalitis when our partner Biological E. introduced the JEEV® vaccine to the Indian market.

CAROL HUMMEL | **YARN BOMBING**

RENDEZ VOUS

Two innovators merge into one:
Intercell and Vivalis now bundle their creativity and innovation. Under the new Valneva brand a European biotech leader in vaccines and antibodies is emerging.

CONRAD BENNER | **YARN BOMBING WITH ISHKNITS**

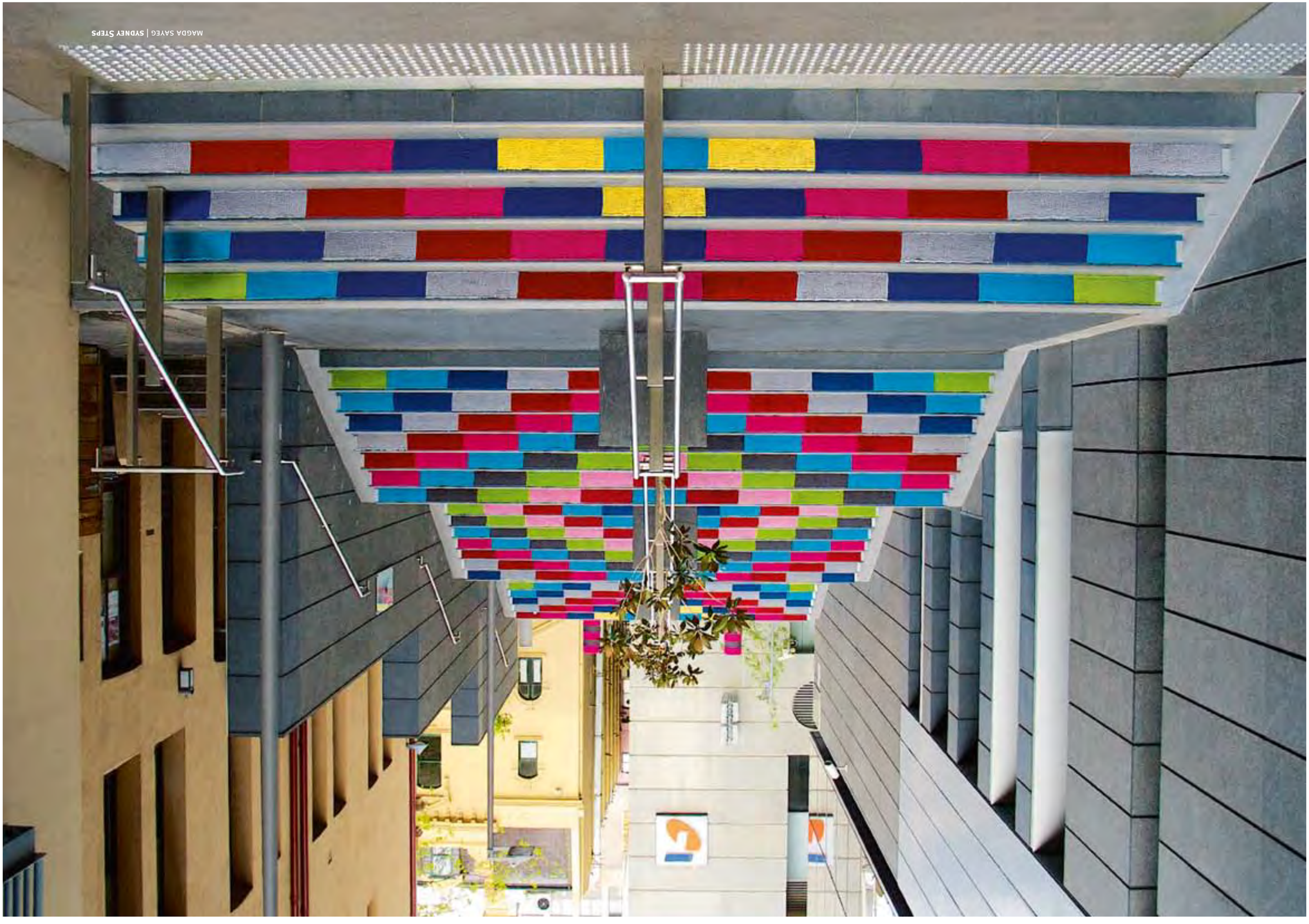
FOOD FOR THOUGHT

Sometimes a big idea fits into the palm of a hand: We equipped all our employees at the Vienna site with glass water bottles, encouraging them to drink tap water. Reducing waste is one of our eco-friendly concepts.

MAGDA SAYEG | **PLAN AHEAD**

01

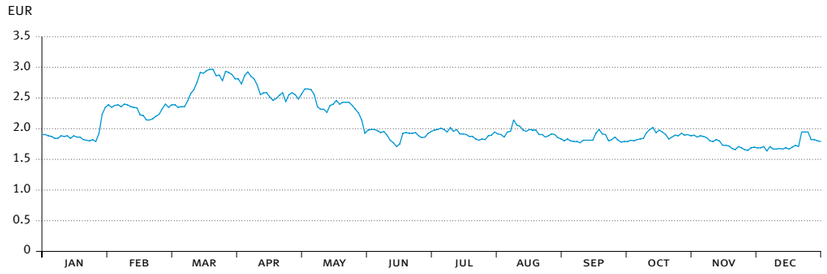
COMPANY



Shareholder information

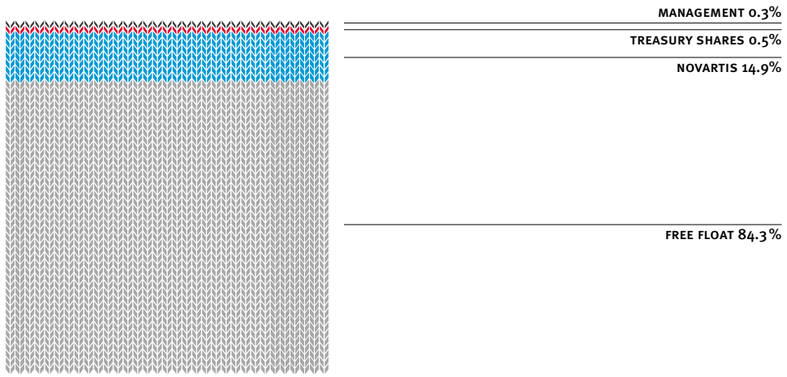
Share performance Intercell AG

Development of Intercell's share price in EUR, based on daily closing prices
(2012-01-01 – 2012-12-31)



Source: Investis Flife Service

Shareholder structure in percent



Shareholder structure as of December 31, 2012
Numbers of shares issued: 55,183,961

For further information please contact
Intercell Investor Relations, **investors@intercell.com**, Fon +43-1-20620

Forward-looking statements

These materials contain certain forward-looking statements relating to the business of Intercell AG (the "Company"), including with respect to the progress, timing and completion of the Company's research, development and clinical trials for product candidates, the Company's ability to manufacture, market, commercialize and achieve market acceptance for product candidates, its ability to protect its intellectual property and operate its business without infringing on the intellectual property rights of others, the Company's estimates for future performance and its estimates regarding anticipated operating losses, future revenues, capital requirements and its needs for additional financing. In addition, even if the Company's actual results or development are consistent with the forward-looking statements contained in this annual report, those results or developments may not be indicative of the Company's results or developments in the future. In some cases, you can identify forward-looking statements by words such as "could","should","may","expects","anticipates","believes","intends","estimate", or similar words. These forward-looking statements are based largely on the Company's current expectations as of the date of this annual report and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the Company's expectations could be affected by, among other things, uncertainties involved in the development and manufacture of vaccines, unexpected clinical trial results, unexpected regulatory actions or delays, competition in general, the impact of the global credit crisis, and the Company's ability to obtain or maintain patent or other proprietary intellectual property protection. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made during this annual report will in fact be realized. The Company is providing the information in these materials as of this date, and we disclaim any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This document and the information contained herein do not constitute or form part of an offer, public or private, or solicitation of an offer to purchase or subscribe for any securities in Intercell AG, Vivalis SA or Valneva SE anywhere in the world. The distribution, publication or release of this annual report may be prohibited or restricted by the laws or regulations applicable in certain countries. Persons who are physically present in those countries and in countries where the annual report is distributed, published or released must comply with local restrictions.

This annual report does not contain or constitute an offer of, or the solicitation of an offer to buy or subscribe for, securities to any person in the United States of America (the"United States") or in any jurisdiction to whom or in which such offer or solicitation is unlawful. The securities referred to herein may not be offered or sold in the United States absent registration under the U.S. Securities Act of 1933, as amended (the"Securities Act") or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of the securities referred to herein has not been and will not be registered under the Securities Act. Any public offer of the securities in the United States will be made pursuant to a prospectus that may be obtained from the issuer or the selling security holder and will contain detailed information about the Company.

The merging companies are European companies. Information distributed in connection with the proposed merger and the related shareholder vote is subject to European disclosure requirements that are different from those of the United States. Financial statements and information may be prepared according to accounting standards which may not be comparable to those used generally by companies in the United States.

It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws in respect of the merger, since the companies are headquartered outside the United States. You may not be able to sue the companies or their officers or directors in a European court for violations of the U.S. securities laws. It may also be difficult to compel the companies and their affiliates to subject themselves to a U.S. court's judgment.

Intercell at a glance

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

Intercell's vaccine to prevent Japanese Encephalitis (JE) – IXIARO®/JESPECT® – is the Company's first product on the market. It is a next-generation vaccine against the most common vaccine-preventable cause of Encephalitis in Asia, and is licensed in more than thirty countries world-wide. A comparable vaccine for endemic markets based on Intercell's technology was launched in India in 2012 by Biological E. Ltd. under the trade name JEEV® and is currently under review for WHO prequalification.

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

The Company's pipeline of investigational products includes a development program for the use of Intercell's JE vaccine IXIARO®/JESPECT® for pediatric travelers to the JE endemic region. Furthermore, the portfolio comprises different product candidates in clinical trials: a Pseudomonas aeruginosa vaccine candidate (Phase II/III) partnered with Novartis, a vaccine candidate against infections with C. difficile (Phase I) as well as numerous investigative vaccine programs using the Company's IC31® adjuvant, e.g. in a Tuberculosis vaccine candidate (Phase II).

Intercell has in-house cGMP capability to manufacture both commercial and potentially clinical bio-logicals at its fully owned site in Livingston, Scotland. The manufacturing site is currently dedicated to the production of the Company's Japanese Encephalitis vaccine. The product is licensed by both the EMA and FDA and the facility is licensed and operated under a Manufacturing Authorisation granted by the UK Medicines and Healthcare products Regulatory Agency (MHRA). As such, the facility is subject to routine inspection by the MHRA, FDA and other Competent Authorities in connection with the manufacture, sale and supply of the Japanese Encephalitis vaccine (trade name IXIARO®/JESPECT®).

Intercell and Vivalis to become Valneva

On February 27, 2013, Intercell's shareholders approved a proposed merger with Vivalis SA to form Valneva SE, and on March 7, 2013, Vivalis's shareholders likewise approved the proposed merger. The goal of the merger is to create a leading European biotechnology company in vaccines and antibodies. Following the shareholders' approval, additional steps are required and, as of the date of the publication of this annual report, are yet to be taken to complete the merger. The merger is subject to certain conditions and obtaining relevant regulatory approval.

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

Letter from the CEO

Dear Shareholder,

Well, it seems the urban knitting trend also reached Intercell. No, we did not cover our headquarters with a knitting pattern, nor knit around the fountain in front of the building. But, one could say we're the center of this trend, constantly knitting new ideas, because we at Intercell are convinced that ideas can change the world.

We continued to realize our ideas in 2012. One of these ideas was to transfer the technology of Intercell's Japanese Encephalitis vaccine to India, where the disease is endemic. The idea was born seven years ago and in 2012, we completed the technology transfer to Biological E. Ltd. who launched JEEV® in India. This is a great step in leveraging Intercell's technology and in supporting the improvement of peoples' health in less developed countries.

Intercell aims to develop a new vaccine for the prevention of Lyme borreliosis. As no vaccine against this disease is currently available in Europe, the development of such a vaccine is of major importance. In 2012, Intercell's proprietary vaccine candidate against Lyme borreliosis passed all pre-clinical research steps and is moving towards pre-clinical development in preparation for clinical testing.

Obviously we want to stay in shape and continue having creative ideas. Therefore, we have to deliver on our operational business, which, in turn, means the supplying and selling of our first commercial product (JEV). But it also means to progress existing product candidates in development along the value chain and to respective inflection points. Together with our marketing and distribution partners we increased our JEV net sales revenues by 24.2% and progressed all in-house and partnered programs to the next stages or decision points.

Furthermore, we successfully completed a financing round to secure the liquidity of the Company and put further streamlining and re-structuring measures in place, thus reducing our net loss by 13.4% compared to 2011. Overall it was a very busy year for all of us, and, although we made great progress in executing our resetting strategy as communicated in 2011, the efforts and achievements we made last year were not valued by the market; hence our share price did not develop as expected.

Over the past year, the Company worked tirelessly on our product and R&D programs and kept our operational standards high. We also worked very hard this year on knitting a sustainable and value generating future for the Company. This resulted in the announcement of a proposed merger of equals between Intercell and Vivalis, with the aim of creating a European biotech leader in vaccines and anti-bodies. We consider the upcoming merger with Vivalis to be an important opportunity for us to grow and move forward towards success and sustainability creating interesting potential for all concerned.

The trend of urban knitting shows how quickly new ideas can spread across the globe and offers a way to look at things differently. At Intercell we try to knit our own success story, stitch by stitch. I'm looking forward to an exciting year ahead, full of new ideas, opportunities and patterns, and I hope you will accompany us on our way towards these new future perspectives.

Yours sincerely,

THOMAS LINGELBACH, CEO

Management Board

Thomas Lingelbach – Chief Executive Officer

Thomas Lingelbach was appointed as CEO in May 2011, after having served Intercell as COO since the end of 2006, during which time his contribution was instrumental in Intercell becoming one of the few biotech companies to have successfully developed a vaccine to market. He has a long international pharmaceutical management track-record and extensive knowledge and expertise in the fields of development, industrialization, and commercialization of vaccines.

Reinhard Kandera – Chief Financial Officer

Reinhard Kandera joined Intercell in 2001 and served as Head of Finance and Controlling and Head of Investor Relations at Intercell before he was appointed as CFO in March 2009. He is a financial expert with experience in corporate and investment banking and has broad industry know-how.

Supervisory Board

Intercell's Supervisory Board currently has five members as set forth below.

Thomas Szucs was elected Chairman of Intercell's Supervisory Board effective as of January 1, 2012. In this function he succeeded Michel Gréco, who since resigned as a member of the Supervisory Board in December 2012.

Thomas Szucs
Chairman

Ernst Günter Afting
Vice-Chairman

Alexander von Gabain

James Sulat

Hans Wigzell

CONRAD BENNER | YARN BOMBING WITH ISHKNITS

Corporate Governance Report

The members of the Intercell AG Supervisory Board and the Management Board are committed to managing the Company's business operations transparently, in accordance with high ethical standards and focused on long-term value creation. We believe that good Corporate Governance is the basis for the trust that we have from our investors, from institutions, and from our employees and that it will continue to strengthen this confidence in the future.

Austrian Code of Corporate Governance

In September 2004, the Management and Supervisory Boards passed a Declaration of Compliance with the Austrian Code of Corporate Governance, which was issued by the Austrian Working Committee for Corporate Governance in September 2002 and has been updated several times since. The Code in its current version can be viewed at **www.corporate-governance.at**.

The Austrian Code of Corporate Governance sets standards of good corporate management that are common in international business practice and reflects the Corporate Governance recommendations of the European Commission. The Code includes mandatory rules and requirements, some of which can be found under relevant Austrian law, a set of comply-or-explain rules which are mandatory unless the relevant rules and reasons for non-compliance have been disclosed, and recommendations for which non-compliance does not have to be disclosed and explained.

Intercell AG complies with the Austrian Code of Corporate Governance with the following explicit limitations:

- The Company has an established internal audit function, but because of the size of the Company, this is neither a separate staff unit for internal auditing nor has this function been outsourced in accordance with Section 18 of the Code.
- The chairperson of the Compensation Committee of the Supervisory Board was Michel Gréco in deviation from Section 43 of the Code. Mr. Gréco served as Chairman of the Supervisory Board for many years until January 1, 2012, and remained the chairperson of the committee for compensation issues for purposes of continuity. Following Mr. Gréco's resignation from the Supervisory Board in December 2012, James Sulat has been appointed chairperson of the Compensation Committee in deviation from Section 43 of the Code. James Sulat also currently serves as the chairperson of the Audit and Corporate Governance Committee.
- The Company's stock option program provides for a two- to five-year vesting period of stock options and does not require that beneficiaries hold a certain number of shares during the term of the stock option program. Section 28 of the Code recommends a 3-year minimum vesting period and that a certain level of shareholding during the term of the program should be required.

ORGANIZATION OF GOVERNING BODIES

Management Board

As required by the Austrian Stock Corporation Act, we have a two-tier board system consisting of a Management Board and a Supervisory Board. The two boards are separate, and no individual may serve on both boards simultaneously.

Intercell's Management Board is responsible for managing the Company's day-to-day business and represents the Company in our dealings with third parties. The members of the Management Board

are appointed by Intercell's Supervisory Board for renewable terms of up to five years. The Management Board passes its resolutions by a simple majority vote. In the event of a voting deadlock, the chairperson casts the deciding vote. The Management Board has set up a corporate compliance program, headed by a global compliance officer who reports directly to the CEO with an indirect reporting line to the Supervisory Board.

Our Management Board currently consists of two members.
The following persons served as members of the Management Board in 2012:

Name	*Year of birth*	*First MB appointment*	*End of term*
Thomas Lingelbach *Chief Executive Officer and Chairman of the Management Board, previously Chief Operating Officer*	1963	October 2007	May 2014
DDr. Reinhard Kandera *Chief Financial Officer*	1969	November 2009	May 2014
Mustapha Leavenworth Bakali* *Chief Business Officer*	1961	October 2010	April 2012

*** Mustapha Leavenworth Bakali resigned from the Management Board effective April 30, 2012.**

Thomas Lingelbach was appointed Chief Executive Officer and Chairman of the Management Board effective May 10, 2011. He had served as the Company's Chief Operating Officer since 2006.

Thomas Lingelbach and DDr. Reinhard Kandera do not hold any board seats or directorships outside the Intercell Group.

Mustapha Leavenworth Bakali stepped down as the Company's Chief Business Officer on April 30, 2012, a position he had held since October 2010, prior to which he had been a member of the Supervisory Board since May 2006.

Supervisory Board

Our Supervisory Board oversees and advises our Management Board and is responsible for the appointment and discharge of members of our Management Board. Our Management Board reports regularly to the Supervisory Board on our business activities. The types of transactions for which our Management Board must obtain prior approval from our Supervisory Board include transactions between the Company and members of its Management Board, a capital increase and an issuance of new shares, the determination of general principles of business policy, the commencement and abandoning of lines of business and types of production, or the acquisition, sale and shut-down of companies and businesses.

Our Supervisory Board currently has five members. All Supervisory Board members with the exception of Prof. Alexander von Gabain are independent according to corporate governance rules and the guidelines adopted by the Company, i.e. each member does not have any business or personal relations with the Company or its Management Board that constitute a material conflict of interest that could influence the behavior of the member. Prof. von Gabain serves as a scientific and strategic advisor to the Company under a consulting agreement.

In addition, each of the Supervisory Board members has less than 10% participation in the Company and thereby meets the criteria of Section 54 of the Code with respect to independence. Unless otherwise provided by law, our Supervisory Board passes resolutions by a simple majority vote, with the chairperson casting the deciding vote in case of a voting deadlock. During the past year, the Supervisory Board held four regular meetings and numerous meetings and teleconferences devoted to various specific topics.

Our supervisory board has four committees:

- an Audit and Corporate Governance Committee, which is responsible for monitoring the financial reporting process, monitoring the effectiveness of our internal control system, our internal audit and our risk management system, reviewing and monitoring the independence of the auditor, reviewing our annual financial statements in preparation of our Supervisory Board's approval of our financial statements and reviewing our interim financial statements and our consolidated annual financial statements as well as for corporate governance issues. The Committee Chairperson, James Sulat, is a financial expert as defined by the Austrian Stock Corporation Act and pursuant to Section 40 of the Code. The Audit and Corporate Governance Committee met four times during the past year and held various telephone conferences. Accounting and auditing processes, internal control and proper risk management processes, budget, as well as tax and investment considerations were topics at these meetings, as well as general corporate governance matters and various aspects of our corporate compliance program.
- a Compensation Committee, which is responsible for reviewing management performance and making administrative decisions relating to Management Board compensation. All three members of the Compensation Committee have knowledge and experience in the area of compensation policy pursuant to Section 43 of the Code based on their previously-held executive positions in other publicly listed corporations. The work of the Compensation Committee, the subjects of which were management goals and variable elements of Management Board compensation, was addressed at two meetings and various telephone conferences, in part with the full Supervisory Board in attendance, during the past year.
- a Nomination Committee, which is responsible for succession planning of the Management Board and the Supervisory Board. The Nomination Committee met twice and held various telephone conferences during the past year, in part with all Supervisory Board members in attendance, and discussed the changes to the Supervisory Board and succession planning for the Management Board.
- a Scientific Committee, which is responsible for providing strategic advice on scientific matters. The Scientific Committee met twice during the past year and discussed the Company's research pipeline and clinical development programs.

During 2012, the review and preparation of important strategic decisions for the Company was carried out by the entire Supervisory Board together with the Management Board, with strategic planning issues mainly focused on business plans and key milestones as well as the proposed merger with Vivalis SA.

The following persons served as members of the Supervisory Board for all or part of 2012:

Name	*Year of birth*	*First election*	*End of term**	*Member of Committee***
Prof. Thomas Szucs *(Chairman)*	1960	June 2011	2016	A, N***
Prof. Ernst Günter Afting *(Vice Chairman)*	1942	February 1999	2013	C, S
James Sulat**	1950	September 2004	2013	A***, C***, N
Prof. Hans Wigzell	1938	May 2006	2015	A, N, S
Prof. Alexander von Gabain	1950	June 2011	2016	S***, C
Michel Gréco**	1943	July 2003	December 16, 2012	A, C***, N

* End of General Meeting of Shareholders in the respective year
** A... Audit Committee and Corporate Governance Committee, N... Nomination Committee, C... Compensation Committee, S... Scientific Committee
*** Indicates Chairperson of the Committee.
**** Michel Gréco resigned from the Supervisory Board effective end of the day December 16, 2012. His role as chairman of the Compensation Committee as well as his seat on the Nomination Committee have been taken on by James Sulat.

Prof. Thomas Szucs was appointed Chairman of the Supervisory Board effective January 1, 2012. He is Director of the Institute of Pharmaceutical Medicine (European Center of Pharmaceutical Medicine) at the University of Basel, and, since 2010, the Chairman for Curriculum Matters for the Master Program in Public Health of the Universities of Basel, Bern, and Zurich. Prof. Szucs is President of the Board of the Helsana Group and BB Biotech AG and serves on the Boards of Biovertis AG and the Kantonsspital Uri. He also serves as Vice President of the Outcomes Research Network of the Swiss Working Group of Clinical Cancer Research (SAKK).

Prof. Ernst Günter Afting is an industrial advisor to venture capital firms and a Supervisory Board member of several biotech companies in the U.S. and Europe. Prof. Afting is currently active as Chairman of the Supervisory Board of Biovertis AG and as a member of the Supervisory Boards of Enanta Pharmaceuticals, Inc. and Sequenom, Inc. He also serves as a Board member of Sorrento Therapeutics, Inc. since November 2012.

James Sulat is presently active as CEO, CFO, and a member of the Board of Directors of Maxygen, Inc., as well as Chairman of the Board of Directors of Momenta Pharmaceuticals Inc.

Prof. Hans Wigzell is Chairman of the Board of the Karolinska Development AB and a member of the Supervisory Boards of Raysearch AB, SOBI AB, Epixis SA, HuMabs LLC, and Avi Biopharma Inc. At the General Meeting of Shareholders held on May 25, 2012, Prof. Wigzell was reelected as a member of the Supervisory Board for a further term of three years.

Prof. Alexander von Gabain, one of the Company's co-founders, currently serves as a scientific and strategic consultant to the Management Board. He is professor of microbiology at the Max Perutz Laboratories of the University of Vienna, and foreign adjunct professor at the Karolinska Institute, Stockholm, Sweden. Prof. von Gabain is a member of the Board of Directors of Functional Genetics, Inc. He is a scientific advisor to the biotech company Zytoprotec GmbH in Vienna since 2012 and further serves as Chairman of the Supervisory Board of INiTS Universitäres Gründerservice Wien GmbH, an entrepreneurial support organization of the Viennese universities for start-up businesses. He is also a member of the WHO committee "Stop Tuberculosis", and the Committee of the Gates Foundation "A decade of vaccines". Since 2008, he has been serving on the governing board of the European Institute of Innovation and Technology (EIT), of which he became the Chairman in September 2011.

Michel Gréco served as a member of the Supervisory Board from September 2003 until his resignation effective end of the day December 16, 2012.

Diversity

The criteria for membership of either the Management Board or the Supervisory Board are first and foremost individual knowledge, expertise, and experience in leadership as well as an overall balanced make-up of the board membership. Collectively, the members of our Supervisory Board and Management Board represent five different nationalities. Currently, no women are serving on either board.

General Meeting of Shareholders

Each shareholder has the right to attend any General Meeting of Shareholders in order to ask questions and propose resolutions in connection with any matter on the agenda that is provided at the time the meeting is announced, and to vote upon any resolution proposed. In 2012 this was the case, provided that, pursuant to the amended Austrian Stock Corporation Act, the shareholder had duly evidenced that he or she held his or her respective shares on the record date, the tenth day preceding the date of the General Meeting, as submitted by the shareholder's account holding bank. Each shareholder is entitled to one vote per share. Shareholders may be represented at any General Meeting of Shareholders by a holder of written proxy.

Our Management Board, Supervisory Board, or any shareholder holding at least 5% of our nominal share capital may call a General Meeting of Shareholders. Shareholders holding at least 5% of our nominal share capital may also require items to be included in the agenda of the General Meeting of Shareholders. Notice of a General Meeting of Shareholders (including the meeting's agenda) is published in the Official Viennese Gazette and on the Company's website with at least 28 days' prior notice (in the case of extraordinary General Meetings with at least 21 days' notice); the resolutions passed at the General Meeting and other information required by the Austrian Stock Corporation Act are also published on the Company's website.

The Company's calendar of corporate financial events can be found at:
www.intercell.com/main/investors/calendar/financial-calendar

On February 27, 2013, an Extraordinary Meeting of Shareholders was held to vote on resolutions approving a proposed cross-border merger with Vivalis SA announced on December 16, 2012, to form the European company Valneva SE to be headquartered in Lyon, France, and to be listed on the regulated markets of NYSE Euronext in Paris and on the Vienna Stock Exchange. The implied ownership immediately post-merger completion is to be 55% former shareholders of Vivalis and 45% former shareholders of Intercell. Each merging party is to contribute equally to the future make-up of Valneva's supervisory and management boards. Prior to the merger, the operative business of Intercell AG is to be split off by way of demerger into its subsidiary Intercell Austria AG with registered office in Vienna. The merger plan was approved at the Extraordinary Meeting of Shareholders of Intercell and at the subsequent shareholders' meeting of Vivalis SA held on March 7, 2013. The merger is expected to close in May 2013, after which Valneva intends to launch a EUR 40m capital increase, subject to regulatory approval. Additional steps are required to complete the merger and, as of the date of the publication of this Corporate Governance Report, are yet to be taken. The merger is subject to certain conditions and obtaining relevant regulatory approval.

Director compensation

The remuneration for the members of our Management Board is stipulated in their respective employment contracts. The table below sets forth the total compensation paid or accrued for the fiscal year ended December 31, 2012:

in EUR	*Base salary*	*Bonus*	*Other benefits*	*Total*
Thomas Lingelbach	320,000	390,400	63,155	773,555
DDr. Reinhard Kandera	240,000	273,600	29,258	542,858
Mustapha Leavenworth Bakali*	105,000	31,500	8,400	144,900

*** Base salary until resignation effective April 30, 2012.**

Payment of any bonus amount is subject to the achievement of pre-defined financial and individual performance goals. The Supervisory Board, upon recommendation from its Compensation Committee, sets performance criteria for the variable component of each Management Board member's remuneration based on commercially standard principles with respect to each individual's roles and responsibilities in the Company. The Supervisory Board looks at the performance of the Company and each Management Board member against both the Company goals and each individual's goals to determine whether the performance criteria have been met. Since 2011, the variable component of each Management Board member's remuneration includes sustainable, long-term and multi-year performance criteria, including non-financial criteria.

No resolution for the authorization of conditional capital or for the grant of stock options outright was put to a vote at the most recent General Shareholders' Meeting. Share options, which have previously been granted to the members of the Management Board and the Supervisory Board, become exercisable in four portions after the annual General Shareholders' Meeting in the second, third, fourth and fifth year after being granted (the vesting period). Special options packages offered as special incentives to employees may become exercisable after three years. All options expire no later than five years after grant. Options are not transferable or negotiable, and unvested options lapse, without compensation, upon termination of employment with the Company (cancellation) or resignation. The Company has no legal or constructive obligation to repurchase or settle the options in cash. Options only become exercisable if the share price on the exercise date exceeds the exercise price by at least 15%. Options granted from 2008 onwards become exercisable with the effectiveness of the takeover of more than 50% of the outstanding voting rights of the Company. In December 2011, the members of the Management Board and Supervisory Board returned 542,000 stock options granted in the years 2007, 2008, and 2009 to the Company.

In addition, Thomas Lingelbach is entitled to an additional bonus representing 75,000 so-called performance units – one performance unit corresponds to the value of one hypothetical share in the Company's share capital after a certain vesting period staggered over a total of five years. The Company has entered into contractual agreements with each member of the Management Board, entitling each to a one-time payment if he leaves the Company due to a change of control. It is possible that if such payment is made to any of these Management Board members, their payment would be greater than the remuneration remaining for the term of the relevant employment contract.

Intercell has no retirement plan for the Management Board, but the Company does make contributions to a pension insurance fund with a fixed amount of EUR 1,000 per month for each member of the Management Board. The Company has entered into contractual arrangements with the members of the Management Board entitling them to a one-off payment under certain conditions in case their contracts are not renewed for reasons that are solely due to the Company.

The Company maintains a directors' and officers' liability insurance.

The remuneration of the members of our Supervisory Board is determined by resolution of the General Meeting of Shareholders. In addition, the members of our Supervisory Board are reimbursed for their out-of-pocket expenses. For the period from January 1, 2012 to September 30, 2012, remuneration for the members of our Supervisory Board was resolved on at the Extraordinary Meeting of Shareholders held on February 27, 2013, to be awarded in the amount of EUR 37,500 for the chairperson, EUR 30,000 for the vice chairperson, and EUR 22,500 each for all other members. For their respective committee work during the same nine-month period, remuneration for the members of our Supervisory Board was awarded by the Extraordinary Meeting of Shareholders in the amount of EUR 4,500 for a committee chairperson and EUR 3,000 for a committee member. See notes to the consolidated financial statements (» NOTE 30).

Prof. Alexander von Gabain serves as strategic advisor to the Company under a consulting agreement, which will terminate at the end of March 2013. There are no additional service or consulting contracts between any of the Supervisory Board members and Intercell AG or any of its subsidiaries.

Stock options and director participation

The following table sets forth the number of stock options and shares privately held by the current members of our Management and Supervisory Boards as of December 31, 2012. For details on our stock option plans, see » NOTE 20 to our consolidated financial statements.

Members of the Management Board	*Number of shares held*	*Number of options held*	*Total*
Thomas Lingelbach	11,000	250,000	261,000
DDr. Reinhard Kandera	29,000	250,000	279,000
Members of the Supervisory Board			
Prof. Ernst Günter Afting	13,675	20,000	33,675
James Sulat	30,000	20,000	50,000
Prof. Hans Wigzell	–	20,000	20,000
Prof. Thomas Szucs	–	10,000	10,000
Prof. Alexander von Gabain	67,842	10,000	77,842

Corporate Social Responsibility

The development of vaccines and antibodies against infectious diseases is not only a potentially attractive business opportunity, but also a contribution to society that provides significant value beyond commercial benefit. Corporate Social Responsibility at Intercell is anchored at the Management Board level.

Included within the elements of the Company's ethical responsibility is the development of vaccines such as for Tuberculosis, Pneumococcal infections, and Japanese Encephalitis in endemic countries. Currently, the AERAS Global Tuberculosis Vaccine Foundation supports the Tuberculosis vaccine program on which Intercell collaborates with the Statens Serum Institut (SSI) and Sanofi.

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

Vienna, March 11, 2013

The Management Board

THOMAS LINGELBACH, CEO

REINHARD KANDERA, CFO

02

GROUP MANAGEMENT REPORT

DONATO CUOIO | **SUPERMAN FRIEDENSBRÜCKE**

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 SA (Vivalis) and Intercell AG (Intercell) announced that they have agreed the terms of a merger to create the newly-named Valneva SE (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 the 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
- EUR 5–6m of expected cost synergies on an annual run-rate basis, achieved within two years following completion of the merger
- Substantially improved financial profile with a combined cash balance of EUR 94m as at September 30, 2012 (adjusted for the planned EUR 40m rights issue and the repayment of Intercell's outstanding convertible bond). This improved financial position will enhance the development of Valneva's vaccine and antibody portfolio and will de-risk the path to profitability
- 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% and Intercell former shareholders approximately 45% 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.

Corporate development

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.

WHEN IDEAS TURN TO HOPE

Those who think beyond boundaries and act accordingly have the power to make an impact and bring about real change. Making new knowledge as widely accessible as possible is more than a foundation for cohabitation and solidarity; it also ensures that the knowledge acquired will be put to the best possible use. This is how our day-to-day work can make an important contribution to greater equality of opportunities, in support of the individuals who rely most directly on our services and products. On the one hand, it is our entrepreneurial obligation to make responsible and farsighted use of the economic opportunities that present themselves, in the interest of our own growth. On the other hand, our deep-seated desire to improve the quality of life for others, while protecting them from disease, is a drive of no lesser magnitude. Maintaining and securing health ranks among the uppermost human needs.

To share this effort while bringing about positive results is a special challenge and a fulfilling task at the same time. A multifaceted commitment in less-developed countries can help minimize negative social factors locally while generating expertise in precisely those locations in which the need for this expertise is most urgent. This promotes the growth not only of our idea but also of hope itself.

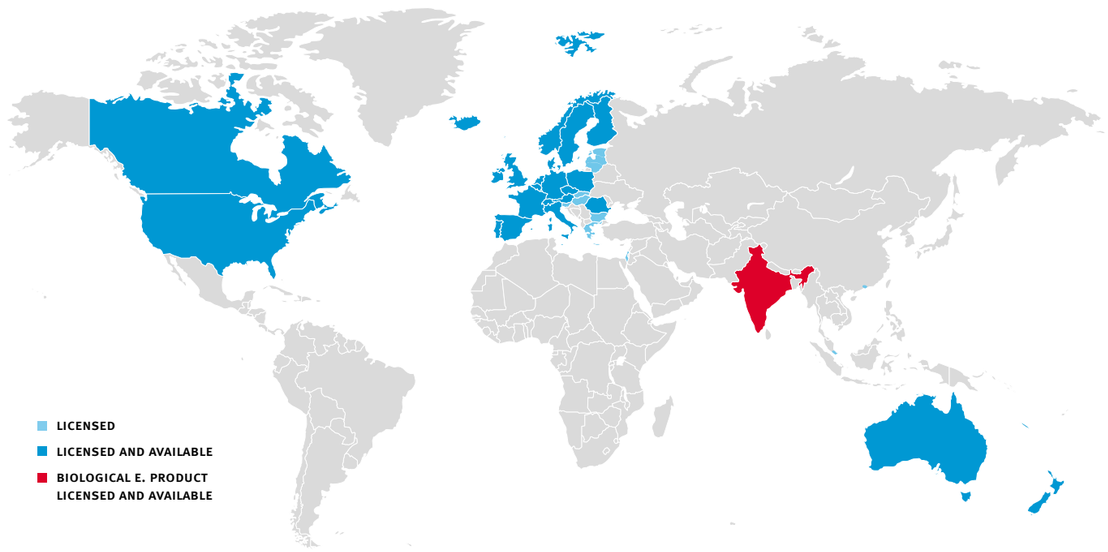
JAPANESE ENCEPHALITIS

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 under-reporting 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 JE. 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®).

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.

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

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: **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, U.S. 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.

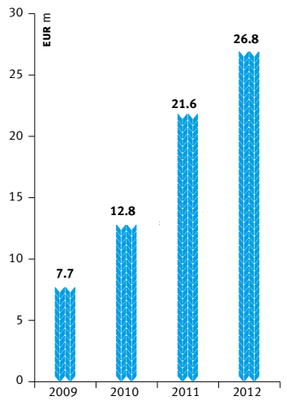
In the U.S., the pediatric indication of IXIARO® has been granted Orphan Drug Status by the FDA following its submission of the pediatric licensure indications for ages from 2 months to below 17 years. The Orphan Drug designation includes a substantial reduction of fees payable and waivers during the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

Positive JE vaccine 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 26.8m. This significant increase of 24.2% compared to 2011 reflects the effort by Intercell and its partners to maximize the potential of the product in the key market segments.

DEVELOPMENT OF NET PRODUCT SALES REVENUES TO INTERCELL



CUSTOMER HEALTH & SAFETY AND PRODUCT RESPONSIBILITY

Intercell takes the health of its customers very seriously and hence, places safety and product responsibility as the priority. The safety of those who use our product is the most important aspect of our work.

Intercell is operating in a highly regulated industry. Before our products reach our customers in the market, we have to conduct significant pre-clinical and clinical trials and fulfill very strict regulatory requirements. However, these efforts do not end at product approval. Intercell has a routine comprehensive pharmacovigilance 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, bioCSL, 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.

THE RESEARCHER AS MOVER

Science and research are characterized by a constant cycle of investigation, searching, refutation and further development. These are the factors that constitute the nature of research; at the same time, they are an expression of the human drive to discover the new and to understand the familiar. In terms of the economic benefits involved, this also always means a certain profession of faith in the unknown. As in the world of science itself, in the realm of applied research, results can never be predicted with perfect precision. Still, this entrepreneurial risk is offset by the motivation that has driven humanity since the dawn of time. This motivation is the urge to maximize knowledge, to learn from it, and to utilize it to shape human life – be it the life of the individual or the life of society – for the better. That is why science and research will always be the engines for innovation, improvement and further development. At the same time, knowledge is also a resource with a future, a resource that will play a major role in securing the quality of life and strengthening the business environment.

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 43.

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 , 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.

VACCINE ENHANCEMENT PATCH (VEP)

In September 2012, Intercell announced the results from a Phase I study investigating Intercell's adjuvant patch (Vaccine Enhancement Patch - VEP) containing LT (a heat-labile toxin from E. coli) in combination with an intramuscular administration of an A/H5N1 antigen supplied by GSK. The co-administration with the VEP met two of three CHMP criteria for Pandemic Influenza vaccines, but the intended level of increased immune response was not achieved.

Intercell will focus its future patch strategy on partnering and out-licensing – with a strong emphasis on antigen delivery as well as booster vaccination target product profiles.

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.

Vaccine patch technology

Intercell's Vaccine Patch is a needle-free delivery technology that has the potential to make vaccines easier to administer, faster to deliver, and may result in lower or fewer doses. This technology could offer certain benefits, e.g. direct delivery to the immune system through a natural defense pathway and a more efficient vaccination including the perspective of self-administration.

During the last year, new data on Tetanus Toxoid Booster delivery via patch was generated. Intercell has focused its future patch strategy on partnering and out-licensing.

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.

Following the termination of the collaboration on a Travelers' Diarrhea Patch vaccine in 2011, Intercell and GSK agreed in June 2012 to also terminate their collaboration on other potential patch vaccines concluded in 2009, with the exception of the clinical trial agreement relating to the Phase I clinical study for the Vaccine Enhancement Patch in Pandemic Flu, results from which were announced in September 2012. In June 2012, Intercell and GSK settled an arbitrated dispute in relation to an outstanding milestone payment.

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.

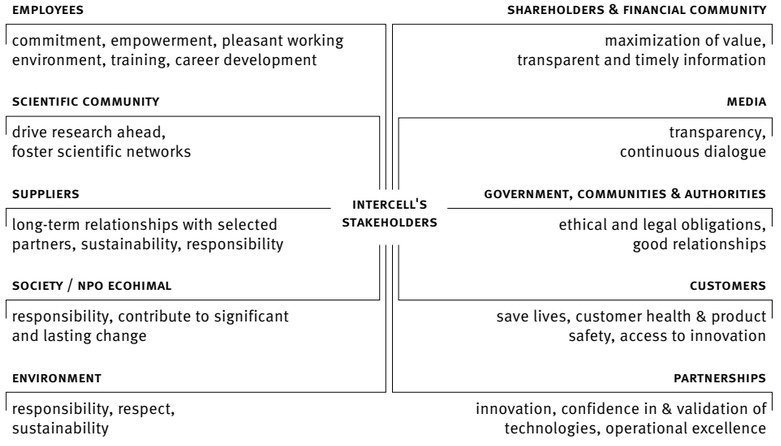
Collaborations 2012

Indication	*Partner*
Japanese Encephalitis vaccine	Novartis / bioCSL / 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
Lyme borreliosis vaccine	Novartis , Zovec
Antigens for animal vaccines (undisclosed indications)	Boehringer Ingelheim Vetmedica
Group B Streptococcus vaccine	Novartis
Staphylococcus aureus vaccine	Merck & Co., Inc.

*** Contract nº HHSO100200700031C**

Partnerships, collobarations and stakeholders

Intercell's stakeholders – The center of attention



CODE OF CONDUCT

Intercell is committed to conducting business ethically and responsibly and in compliance with applicable laws, rules and regulations. The Company commits itself and expects every employee to live up to the highest standards of integrity in the common mission to develop new vaccines and 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

Intercell is an international company which, as of December 31, 2012, had a workforce of 254 employees from more than 20 different countries. In 2012, the Company had sites in four countries: the corporate headquarters with R&D and QC facilities in Vienna, Austria, manufacturing facilities in Livingston, Scotland, a sales & marketing force in Gaithersburg, Maryland, U.S.A., and a research team focusing 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. Following the merger strategy, Intercell Austria AG was created in December 2012 to demerge all operational business.

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 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. An update on the activities and achievements in 2012 is included in this chapter.

PEOPLE CHANGE THE WORLD

Change always begins with people. Their motivation, ability and opportunity to act with as few barriers as possible sets processes in motion and gives rise to new developments. This can occur through the best efforts possible to strengthen both the individual and the collective. We can only give flight to our ideas if we can succeed in strengthening active participation, individual initiative and shared responsibility. That is why, in addition to a corporate culture based on integration and independence, ongoing support for individual and collective education and training constitutes a particularly sustainable investment. An effort to promote performance, creativity and field expertise is a core mission of any corporation that seeks to provide its employees with the best conditions for fulfilling and successful work. Particularly at a time in which the skills required are becoming increasingly differentiated, there is a need for constant further development and intensification of all measures designed to assist people in their work and to open up new paths for their future. Only the effort to strive for the highest possible quality and excellence will keep us fit and provide us today with the equipment we are certain to need no later than tomorrow. In this way, we will strengthen not only each and every individual but also ourselves as a farsighted and networked company.

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.

EMPLOYEE BENEFITS

A wide variety of employee benefits is available to all eligible, regular full-time and part-time employees. Plans and eligibility vary considerably from country to country, as Intercell's benefit plans are designed to be built upon the social security benefits provided in each country in which we operate.

Depending upon the terms and conditions of these benefit plans and the Company's policies, eligible employees may be required to provide pecuniary contributions to some of these plans. These benefits are locally managed and comply with local legal requirements in the countries in which they are offered.

EMPLOYMENT STATISTICS*

	*Vienna***		*Livingston*		*Gaithersburg*		*Total*	
Male	60	41.1%	46	47.4%	6	54.6%	112	44.1%
Female	86	58.9%	51	52.6%	5	45.4%	142	55.9%
TOTAL*	**146**	**100%**	**97**	**100%**	**11**	**100%**	**254**	**100%**
Average age	37.8		39.5		47.8		38.2	
Training hours***	15.4		6.9		20			
Labor turnover		11.9%		10.5%		90.5%		

* Headcounts as of December 31, 2012
** including employees in Schlieren, Switzerland
*** Average per employee

BACKSTAGE AT HR VIENNA – INTERVIEW WITH GERALD STROHMAIER, HEAD OF HUMAN RESOURCES

What are the incentives in working for Intercell?
We are working on ideas that might change the world – the vision of contributing to the mitigation of health problems worldwide definitely provides a strong incentive. We are working on exciting projects which enable us to recruit highly qualified employees from all over the world – approx. 20 nations. Considering market dynamics, our employees have to achieve great things. We offer not only good remuneration and supplementary benefits, but also a health-conscious and safe working environment. Our corporate culture is family-friendly and not least, we offer an institutionalized program for individual goal setting and performance management.

How would you describe performance management at Intercell?
At Intercell we are aware that we must offer interesting future development perspectives to our highly qualified employees. The institutionalized performance management makes sure that individual goals are aligned with the company goals and agreed and recorded between supervisor and employee. It also brings together tasks and functions with individual strengths of employees, bringing the right person in the right position. Talks for individual goal setting take place twice a year where feedback is discussed in both directions. Performance management at Intercell affects all organizational levels.

Does Intercell offer special training for managers? How are managers prepared for new roles in challenging times?
At Intercell "empowerment" and "leadership development" are not only catchwords. With our corporate culture we aim to create a creative and open environment, where team-oriented employees accept leading roles for themselves and others. We want courageous, entrepreneurial managers who inspire their employees, offer motivation and show responsibility for their field of duties. Besides individual training that each employee can claim according to his role, the Company has also initiated a special leadership training program for managers in 2012 in support of challenges faced while the Company is undergoing major change.

Were there any visible results of this program?
Yes, I have received positive feedback from participants, who have realized new aspects of their role during the training and who have engaged themselves within a wider range of interaction. Personally I was very pleased about those reactions. Another positive effect was the strengthening of the internal cohesion; the managers exchanged their views also after the end of the training.

Furthermore, Intercell management executives have started – resulting from the leadership training – a project called "Vienna Culture Improvement" with the goal to make communication, feedback and responsibility as subjects of discussion, to improve or enhance these topics. In this context an employee questionnaire was carried out to find out more about employee satisfaction. It showed that employees like to take responsibility and appreciate our corporate culture very much.

What are the challenges for you as Head of Human Resources in times of change?
A constantly changing environment is per se an integral part of the biotechnology space. What I observed during the past years is, that Intercellers are adapting quickly to new situations and have a high ability to motivate themselves. That's why I believe that Intercellers have a higher tolerance level regarding uncertainty caused by change. However, from a personal point of view, it is crucial, to support all colleagues in the best possible way during times of change and uncertainty and to foster internal networks through various activities.

The confidence and trust Intercellers have placed in me, is a clear signal that through constant and transparent communication at all levels we can improve our working environment in times of change and this needs to be lived and further developed on a daily basis.

Social commitment

Intercell focused its social engagement in two carefully selected non-commercial projects: the non-profit organization EcoHimal in their efforts to establish a healthcare system in Nepal (since 2009) and the VinziWerke, where Intercell employees cook for homeless people (since 2012).

INTERCELL AND ECOHIMAL HEALTH PROGRAM 2010–2012

The program aims to raise awareness for healthcare among the people of Nepal in order to positively influence their health-seeking behavior. Nepal faces major healthcare problems especially in rural areas, where diarrheal diseases, HIV/Aids, Pneumonia and Japanese Encephalitis are among the major causes of illness and death.

At the end of 2012, the first Intercell and EcoHimal health program that was undertaken in the vast mountainous and hilly area of Nepal was successfully completed. Milestones are the infrastructural water and sanitary measures. All villages now have a functioning supply of drinking water with an average of three households sharing one water tap. Each household as well as all public buildings such as schools and health posts are provided with a latrine. All drinking water systems are registered with the district authorities and owned and maintained by the villagers.

Professional basic medical care is guaranteed in all of the villages. The local health staff received additional training to qualify for their work and newly trained nurses are now working in the region. The infrastructure was considerably improved with both communities now having a functioning and well-equipped sub-health post, which even accommodates a separate room for birthing. Income from farming and livestock has increased significantly leading to a much improved nutritional situation, which, in turn, allows for small extra income earning opportunities. Cultivating and selling cash crops such as chili and ginger creates important supplementary income.

The local population of Bakachol and Pawai is organized in village development groups, which have completely adopted the goals and measures of the program. This ensures that the savings and loan programs will be continued, a well-organized infrastructure be maintained, and regular contact with district authorities guaranteeing access to governmental support.

A team of independent Nepalese scientists evaluated our work in the summer of 2012. The report recommends extending the program to other communities in Nepal. Thanks to the support of partners, EcoHimal is able to continue their endeavors.
www.ecohimal.org

COOKING FOR A GOOD CAUSE

In October 2012, Intercell, together with VinziWerke, started the initiative "Cooking for a good cause" to provide homeless people with a warm meal. The idea is based on an employee proposal and Intercell's Management Board immediately supported this project and granted Intercell employees the right to use their working hours for the charitable cooking sessions. In their facilities VinziPort and VinziBett, the non-profit organization VinziWerke provides homeless people with a warm meal and a place to sleep on a daily basis. In teams of 3-4 people, Intercell volunteers cook for approximately 85 people one to two times per week. The homeless shelters receive donations from various shops and supermarkets, and, depending on the food offered, volunteers are challenged to create a warm and tasty meal – thereby making a big difference in people's lives. "This is a great initiative – I can do something good and my commitment has an immediate impact. It's great fun to cook with many different colleagues at Vinzi", says one of the participants. Intercell thanks all those engaged in this project for their commitment.
www.vinzi.at

Environmental commitment

MANAGING OUR ENVIRONMENTAL FOOTPRINT

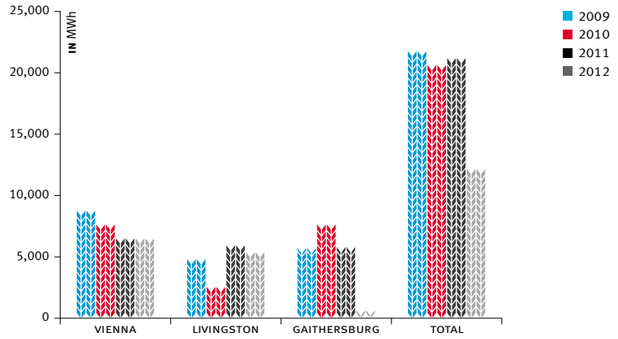
At Intercell we take responsibility for all our actions and, in pursuance of our business strategy, we endeavor to act wisely and to minimize all risks and damage to the environment. Environmental consideration is included in all our decisions and daily routines. As a leading company fighting against infectious diseases in the world, we want to set an example for the responsible treatment of our environment. It is our opinion that environmental commitment should be a standard for modern companies.

Energy
Intercell's energy management measures aim to monitor, control, and minimize energy consumption and are being continuously improved. They include the following:

» Ensuring energy efficiency through thermal protection of buildings
» Monitoring the energy consumption with the help of a building control system

» Our free cooling, heating, ventilating, and air conditioning system only runs at full capacity during office hours
» Compilation and internal distribution of an annual energy report
» Replacing the majority of the physical servers at the Livingston site by two servers with electronic control over all other servers to decrease energy requirements

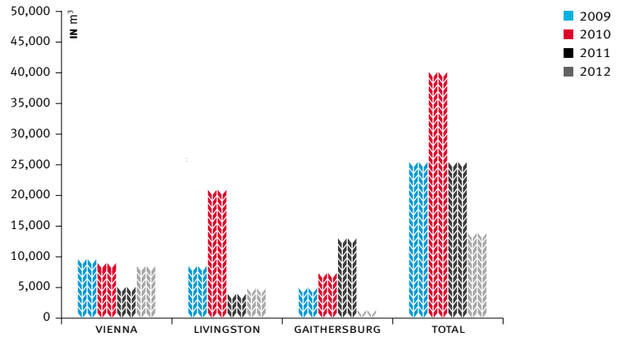
INTERCELL'S OVERALL ENERGY CONSUMPTION



Energy-saving measures are in place at all sites. As a result, the site in Vienna has been able to decrease its energy consumption by approximately 25% since 2009. In Livingston we saw, after a considerable reduction in 2010, a rise of energy use in 2011 and 2012 due to increased production. As the U.S. site in Gaithersburg was consolidated to a sales and marketing office during 2011, the tracked energy consumption in 2012 was marginal in comparison to prior years, when Intercell maintained research facilities there.

Water & Waste Management
Through an improved collection of environmental data in 2010 and beyond, Intercell has created long-term goals for waste management and the reduction of water use. Responsible water management is crucial as it is one of the most important natural resources worldwide. Although the use of water in our R&D sites and manufacturing facilities is relatively low compared to other industries we keep a close watch on the water consumption.

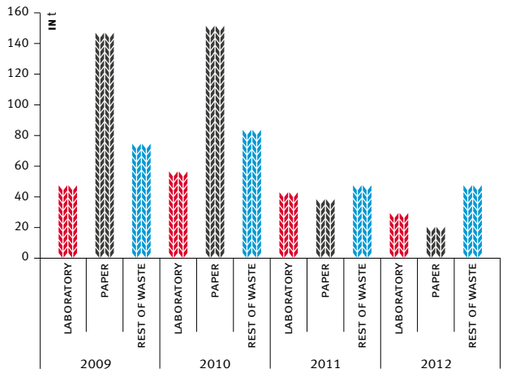
INTERCELL'S WATER CONSUMPTION



Although Intercell Vienna was continuously able to reduce the water consumption between 2009 and 2011, the level of consumption in 2012 again reached the high level of 2010. This was caused by a leak in the water supply system and resulted in considerable water wastage. However, the early warning transmitted by the building control helped avoid further damage. At the Livingston site, we were able to stay at the low consumption level of 2011. In Gaithersburg, the water consumption in 2012 was marginal compared to prior years, when Intercell still maintained its research facilities there.

INTERCELL'S WASTE PRODUCTION

Total (Vienna, Livingston, Gaithersburg)



In the past years, Intercell successfully decreased its waste production. The amount of paper waste was especially low in 2012, reflecting the Company's ambitions to handle resources responsibly. We avoid unnecessary printing and encourage non-colour as well as double-sided printing.

Initiative to reduce waste created by drinking water bottles – "Take a chance on me"
In October 2012, Intercell Vienna switched from non-returnable plastic bottles for mineral water to returnable bottles. In the course of an internal communication campaign with the title "Take a chance on me", re-usable glass bottles (with an Intercell logo) were distributed to all Intercell Vienna employees. The bottles were handed out together with a small booklet comparing the environmental impact of glass versus plastic bottles. The aim of the initiative was to encourage the consumption of the high-quality Viennese tap water; this was widely appreciated within the workforce. With this initiative we created awareness for environmental issues and were able to decrease the consumption of mineral water in plastic bottles to a certain degree.

Mobility
The following measures have been implemented to further reduce Intercell's carbon and energy footprint:

» Reduction of business trips between sites
» Intercell does not maintain a car pool and a fee is charged for parking facilities
» Intercell employees in Vienna and Livingston are encouraged to use a bike or public transport to go to work
» Several employees took part in the national initiative "Österreich radelt zur Arbeit" encouraging employees to ride their bike to work during a month of action
» Employees at the Livingston site take part in a car sharing model for their daily commute

Financial review

Revenues

Intercell's product sales revenues in the full year 2012 increased by EUR 5.2m to EUR 26.8m (2011: EUR 21.6m), or by 24.2%. Aggregate revenues increased by 8.5% compared to 2011 to EUR 35.7m (2011: EUR 32.9m). Revenues from collaborations and licensing decreased by EUR 2.3m to EUR 8.5m (2011: EUR 10.8m) and grant income decreased by EUR 0.1m to EUR 0.4m (2011: EUR 0.6m). Revenues from collaborations and licensing mainly included revenues under Intercell's strategic alliance with Novartis and a payment from GSK in connection with the termination of the collaboration on potential patch vaccines.

Operating results

Cost of goods sold for the year 2012 amounted to EUR 22.2m (2011: EUR 18.0m) yielding a positive gross margin of EUR 4.6m, or 17.0%, on the Japanese Encephalitis product. The gross margin was negatively impacted by write-offs of finished and unfinished inventory in the fourth quarter.

R&D expenses for the year 2012 decreased by EUR 10.2m or by 33.9% to EUR 19.8m (2011: EUR 29.9m). This decrease mainly resulted from an R&D pipeline rationalization, implemented as part of the Company's re-structuring and cost-saving program, and from timing effects in connection with clinical trial costs.

General, selling and administrative expenses for the year 2012 remained stable at EUR 15.8m (2011: EUR 15.8m) despite an increase in sales and marketing costs as well as one-time advisory fees and service expenses in connection with the proposed merger with Vivalis.

Net other operating income for the year 2012 was EUR 2.5m (2011: EUR 3.4m). The decrease mainly resulted from positive currency effects in the prior year period.

Intercell's operating loss for the year 2012 decreased by 28.3% to EUR 19.6m (2011: EUR 27.4m) reflecting a significant improvement of the operating performance during the year 2012.

Net result, finance and tax

The increase of net finance expenses to EUR 5.2m in 2012 (2011: EUR 1.9m) resulted primarily from higher interest expense in connection with the issuance of new debt in Q2 2012. Income tax expense in 2012 was EUR 0.5m (2011: zero) and resulted from tax provisions of the Company's UK subsidiary.

The net loss for the year 2012 was EUR 25.3m, which corresponded to a reduction of EUR 3.9m or 13.4% compared to the same period in 2011 (2011: EUR 29.3m). The net loss per share for the year 2012 was EUR 0.49 (2011: EUR 0.61).

Cash flows

Intercell's net cash used in operating activities in the year 2012 was EUR 21.7m (2011: EUR 42.9m). The significant reduction of operating cash out-flow reflects the progress in operational re-structuring and growth in product sales.

Cash used in investing activities for the year 2012 amounted to EUR 1.3m. In 2011, cash generated from investing activities totaled EUR 12.1m and resulted mainly from the sale of securities. Without giving effect to investments in and proceeds from sale of securities, net cash used in investing activities in the year 2012 was EUR 2.8m (2011: EUR 12.0m) and included the following: EUR 0.6m for purchases of property, plant and equipment, EUR 4.2m for purchases of intangible assets (capitalized development costs), interest received in the amount of EUR 1.1m, and EUR 0.9m proceeds from sale of property, plant and equipment. Cash generated from financing activities in 2012 was EUR 18.9m (2011: 23.5m) and included net proceeds of EUR 19.7m (after reduction of transaction costs) from a loan provided by BB Biotech and of EUR 13.6m from the issuance of new shares. For additional information see "Notes to the consolidated financial statements" within this document. These financing proceeds were partly offset by repayments of convertible debt of EUR 12.0m and of other borrowings of EUR 1.5m as well as a capital tax payment of EUR 1.5m in connection with an equity financing completed in 2007.

Cash management

Intercell is holding considerable levels of cash and cash equivalent funds, intended to be used to further develop the Company's product pipeline, technologies and manufacturing capabilities as well as for general business activities and potential strategic investments. In managing its cash and liquid funds, the Company's goal is to preserve this principal and to achieve an optimal and stable rate of return with a moderate level of risk. The Company mainly holds its cash and liquid reserves in bank deposits, government bonds and other investment grade debt securities and mutual money market funds.

Liquid funds at the end of December 2012 amounted to EUR 44.9m (December 31, 2011: EUR 50.9m) and included cash and short-term deposits of EUR 12.1m as well as marketable securities of EUR 32.8m.

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	35,665	32,884	34,215
Net loss	(25,337)	(29,265)	(255,182)
Net operating cash flow	(21,726)	(42,858)	(65,120)
Cash, short-term deposits and marketable securities, end of period	44,933	50,859	86,182

Internal controls

Reporting on the internal control and risk management system regarding financial reporting

The responsibility for the design and implementation of an internal control and risk management system capable of meeting the needs of accounting rules and of assuring compliance with legal requirements rests with the Management Board under the oversight of the Supervisory Board. Intercell's central Group accounting department forms part of the Group's parent company, Intercell AG. The department consists of the organizational units "Accounting", which is responsible for reporting to outside parties, and "Controlling", which handles reporting within the Group. Both units report directly to the Chief Financial Officer.

The principles and the processes underlying Group accounting and reporting procedures are laid down in the Accounting Manual published and updated on a regular basis by Intercell AG. The manual contains the IFRS-based accounting and reporting requirements as applied by the Group. The requirements especially apply to the accounting of, and reporting on, revenues, R&D expenses, non-current assets, trade receivables, accruals and deferrals, financial instruments, provisions, and the translation of deferred tax assets and liabilities.

"Controlling" reviews the performance of defined groups of assets on a regular basis. The adherence to the respective requirements is assured through regular reviews carried out at management meetings and, whenever necessary, through securing the participation of the central department.

The recording and accounting of all Group transactions is handled by the integrative software solution Microsoft Dynamics AX. The Group companies perform monthly closing procedures on their accounts. All accounting entries are available in the central accounting system and the data transfers and consolidation occur automatically. Central Group "Accounting" performs reviews and controls of the financial data generated by Group companies on a monthly basis. Additional closing procedures, controls, and reviews are performed on a quarterly basis. The resulting financial information forms the basis of the reports issued on a quarterly basis by the Intercell Group pursuant to IFRS.

No separate internal audit department has been set up in view of the Company's size. However, an internal control and reporting system has been defined in order to secure appropriate internal controls over financial reposting and to enable the Management Board to rapidly identify risks and to respond to such risks. The compliance within the internal controlling and reporting system is reviewed and reported by an internal audit function on a quarterly basis.

A tailored planning and reporting system is used for internal management reporting. Standard reports and automatic interfaces have been created to transfer actual data from Microsoft Dynamics AX to the internal reporting system. A standardized process is employed to compile figures into reports, including budget comparisons. Reporting dimensions include departments, projects, and cost categories. Internal reports to the management include the development of operating results during the preceding month as well as rolling forecasts for the residual year. These reports feature summaries of the most important results as well as deviation analyses compared to budgets and preceding forecasts.

The financial information that has been generated as described above and the Group accounts pursuant to IFRS form the basis for the Management Board's financial reporting to the Supervisory Board, which holds meetings on a regular basis. The Supervisory Board is informed about the financial performance of the business using consolidated results and, where appropriate, detailed project- and product-based financial information.

Risk factors

Pursuing biotech innovation includes the inherent risk of failure and the Company is therefore exposed to significant industry-specific risks. Intercell is subject to the additional risk that it has launched its first product and has not yet generated significant revenues from the commercial sale of the product. Moreover, the Company has incurred significant losses since its inception, is exposed to liquidity risk and may never 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 healthcare 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.

Risk factors

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.

Further financial risk factors are discussed in detail in the notes to the consolidated financial statements.

Disclosure according to section 243a of the Austrian Commercial Code

- As of December 31, 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.

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.

TREADING NEW PATHS, TOGETHER

The end merely marks the beginning. When people combine efforts and innovations based on their ideas, great things often result. Indeed, it is no different from any other change in life: events that initially triggered feelings of insecurity often turn out to be opportunities. Awareness of our former roots and activities will be beneficial to opening up new avenues for the future. That which is new will now be joined by the tried and tested. It will not only enable us to broaden our horizons – firmly anchored in our existing foundations – but will ameliorate our strength. As in any fruitful partnership, joint undertakings not only mean expressing one's own beliefs but also contributing to a shared awareness. Learning from, and respecting one another are vital skills for common advancement. Trust will remain one of our most fundamental values. If we want our vision to become reality, everyone must be included in the undertaking. And to accomplish this requires two vital qualities: creativity and a down-to-earth approach.

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 EUR 40m.

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 EUR 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

THOMAS LINGELBACH, CEO

REINHARD KANDERA, CFO

03

FINANCIALS

OLEK | **WALL STREET BULL**

Auditor's report

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Intercell AG, Vienna, for the fiscal year from January 1 to December 31, 2012. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2012, and the notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND FOR THE ACCOUNTING SYSTEM

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the applicable commercial law provisions under Section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 consolidated financial statements are in accordance with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2012 and of its financial performance and cash flows for the fiscal year from January 1 to December 31, 2012 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the management report for the group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated 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 for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

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

Vienna, March 11, 2013

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

ASLAN MILLA
Austrian Certified Public Accountant

The Consolidated 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 245a and 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.

I. Consolidated income statement

EUR in thousands (except per share amounts)	*note*	*Year ended December 31, 2012*	*2011*
Revenues		**35,665**	**32,884**
Product sales	5	26,772	21,552
Revenues from collaborations, licensing and grants	5	8,893	11,332
Cost of goods sold	**6/7**	**(22,211)**	**(17,983)**
Gross profit		**13,454**	**14,901**
Research and development expenses	6/7	(19,770)	(29,927)
General, selling and administrative expenses	6/7	(15,799)	(15,785)
Other income and expenses, net	8	2,472	3,395
Operating loss		**(19,644)**	**(27,416)**
Finance income	9	462	2,595
Finance expenses	9	(5,679)	(4,488)
Loss before income tax		**(24,861)**	**(29,309)**
Income tax	10	(476)	44
LOSS FOR THE YEAR		**(25,337)**	**(29,265)**
Losses per share			
for loss attributable to the equity holders of the Company, expressed in EUR per share (basic and diluted)	11	(0.49)	(0.61)

I. Consolidated statement of comprehensive income

EUR in thousands	*note*	*Year ended December 31, 2012*	*2011*
Loss for the year		**(25,337)**	**(29,265)**
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss			
» Fair value gains/(losses) on available-for-sale financial assets	15/21	1,263	1,316
» Currency translation differences	21	509	(1,934)
Total items that are or may be reclassified subsequently to profit or loss		**1,772**	**(618)**
Other comprehensive income/(loss) for the year, net of tax		**1,772**	**(618)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**(23,565)**	**(29,883)**

II. Consolidated balance sheet

EUR in thousands	*note*	*At December 31, 2012*	*2011*
ASSETS			
Non-current assets		**114,855**	**118,109**
Property, plant and equipment	12	40,726	44,220
Intangible assets	13	62,832	62,304
Other non-current assets	17	11,296	11,481
Deferred income tax assets	10	–	104
Current assets		**68,073**	**73,841**
Inventory	16	7,624	9,737
Trade receivables and other current assets	17	15,515	13,245
Available-for-sale financial assets	15	32,796	34,486
Cash and short-term deposits	18	12,137	16,373
TOTAL ASSETS		**182,927**	**191,950**
EQUITY			
Capital and reserves attributable to the Company's equity holders		**82,079**	**92,328**
Nominal capital	19	55,184	48,592
Additional capital paid in	19	415,784	409,061
Other reserves	21	25,450	23,678
Retained earnings		(414,340)	(389,003)
LIABILITIES			
Non-current liabilities		**69,855**	**65,340**
Borrowings	25	57,400	50,105
Other long-term liabilities	23	–	152
Deferred income	24	12,336	15,083
Deferred income tax liabilities	10	119	–
Current liabilities		**30,993**	**34,281**
Trade and other payables and accruals	23	13,540	14,712
Borrowings	25	14,423	13,842
Deferred income	24	2,955	3,337
Provisions	26	75	2,389
Total liabilities		**100,848**	**99,621**
TOTAL EQUITY AND LIABILITIES		**182,927**	**191,950**

III. Consolidated cash flow statement

EUR in thousands	*note*	*Year ended December 31, 2012*	*2011*
Cash flows from operating activities			
Loss for the year		(25,337)	(29,265)
Depreciation and amortization	12/13	7,228	7,519
Impairment fixed assets/intangibles	12/13	–	4,435
Share-based payments	20	(257)	1,157
Income tax	10	476	(44)
Other adjustments for reconciliation to cash used in operations	27	2,262	111
Changes in working capital	27	(2,345)	(24,886)
Cash used in operations	**27**	**(17,973)**	**(40,973)**
Interest paid	9	(3,749)	(1,756)
Income tax paid	10	(3)	(129)
Net cash used in operating activities		**(21,726)**	**(42,858)**
Cash flows from investing activities			
Acquisition of other businesses		–	(5,000)
Purchases of property, plant and equipment	12/27	(584)	(1,403)
Proceeds from sale of property, plant and equipment	27	896	29
Purchases of intangible assets	13	(4,198)	(7,225)
Purchases of financial assets	15	(35,597)	–
Proceeds from sale of financial assets	15	37,148	24,116
Interest received		1,065	1,611
Net cash generated from/(used in) investing activities		**(1,269)**	**12,127**
Cash flows from financing activities			
Proceeds from issuance of common stock, net of costs of equity transactions	19	12,120	(61)
Proceeds from issuance of convertible bonds, net of transaction costs		–	32,417
Repayment of convertible bonds		(12,000)	(5,800)
Proceeds from other borrowings	25	20,212	311
Repayment of other borrowings	25	(1,468)	(3,338)
Net cash generated from financing activities		**18,864**	**23,529**
Net decrease in cash		**(4,131)**	**(7,203)**
Cash at beginning of the year		16,356	26,904
Exchange losses on cash		(105)	(3,346)
CASH AT END OF THE YEAR	**18**	**12,120**	**16,356**
Cash, short-term deposits, and marketable securities at end of year		**44,933**	**50,859**

IV. Consolidated statement of changes in equity

EUR in thousands	*note*	*Nominal capital*	*Additional capital paid in*	*Other reserves*	*Retained earnings*	*Total equity*
Balance at January 1, 2011		**48,592**	**407,965**	**24,262**	**(359,737)**	**121,082**
Total comprehensive loss for the year		**–**	**–**	**(618)**	**(29,265)**	**(29,883)**
Employee share option plan:						
» value of employee services	19/20	–	1,157	–	–	1,157
Option premium on convertible note		–	–	35	–	35
Cost of equity transactions, net of tax	19	–	(61)	–	–	(61)
		–	1,096	(584)	(29,265)	(28,753)
BALANCE AT DECEMBER 31, 2011		**48,592**	**409,061**	**23,678**	**(389,003)**	**92,328**
Balance at January 1, 2012		**48,592**	**409,061**	**23,678**	**(389,003)**	**92,328**
Total comprehensive loss for the year		**–**	**–**	**1,772**	**(25,337)**	**(23,565)**
Employee share option plan:						
» value of employee services	19/20	–	(257)	–	–	(257)
Issuance of common stock, June 2012	21	6,592	8,569	–	–	15,161
Cost of equity transactions, net of tax	19	–	(1,589)	–	–	(1,589)
		6,592	6,724	1,772	(25,337)	(10,250)
BALANCE AT DECEMBER 31, 2012		**55,184**	**415,784**	**25,450**	**(414,340)**	**82,079**

V. Notes to the consolidated financial statements

1 General information

Intercell AG – together with its subsidiaries – (hereafter named "Company") is a biotechnology company that develops and commercializes novel immunomodulatory biologicals to prevent disease and reduce suffering.

The Company's vaccine to prevent Japanese Encephalitis (JE) – IXIARO®/JESPECT® is the Company's first product on the market. This is a next-generation vaccine against most common forms of vaccine-preventable cause of encephalitis in Asia licensed in more than thirty countries. A comparable vaccine for endemic markets based on Intercell's technology was launched in 2012 by Biological E. Ltd. under the trade name JEEV® in India and is currently under review for WHO prequalification.

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

The Company's pipeline of investigational products includes a development program for the pediatric use of Intercell's JE-Vaccine IXIARO®/ JESPECT® in non-endemic markets. Furthermore, the portfolio comprises different product candidates in clinical trials in 2012: a Pseudomonas aeruginosa vaccine candidate (Phase II/III) partnered with Novartis, a vaccine to prevent Pandemic Influenza by combining the Company's Vaccine Enhancement Patch with an injected vaccine (Phase I), a combination treatment approach for Hepatitis C (Phase II) partnered with Romark, a vaccine candidate against infections with C. difficile (Phase I) as well as numerous investigative vaccine programs using the Company's IC31® adjuvant, e.g. in a Tuberculosis vaccine candidate (Phase II).

Related business activities include product research and development, regulatory and clinical activities, manufacturing of commercial product and advanced clinical product candidates, as well as administrative, corporate development, and marketing and sales activities.

Intercell AG is a stock corporation (*Aktiengesellschaft*) under Austrian law with its headquarters located in 1030 Vienna, Campus Vienna Biocenter 3. The Company has its primary listing on the Vienna Stock Exchange.

Intercell AG directly or indirectly holds interests in the following subsidiaries:

Name		*Interest held at December 31,*	
	Country of incorporation	*2012*	*2011*
Intercell Biomedical, Ltd.	UK	100%	100%
Intercell USA, Inc.	USA	100%	100%
Intercell Austria AG	AT	100%	–

Intercell Biomedical Ltd., Livingston, United Kingdom, operates a dedicated biologics manufacturing facility used for production of the Company's Japanese Encephalitis vaccine. In 2011, the commercial operations at Intercell USA, Inc. have been consolidated and the patch R&D activities were successfully transferred to Intercell AG Vienna. Intercell transitioned the residual R&D facility leases and sold unused equipment – as of 2012, any remaining R&D costs from the U.S. operation are eliminated. The remaining workforce focuses on maximizing the value of IXIARO®/ JESPECT®.

Intercell AG's branch in Schlieren, Switzerland, is engaged in the identification of anti-infective antibodies to prevent and treat infectious diseases. However, the expertise in connection with the platform technology for monoclonal antibody discovery has been consolidated into the Vienna site in 2012, and the decision was made to close the branch in Schlieren in 2013. Intercell Austria AG was founded in December 2012.

These consolidated financial statements have been authorized for issue by the Management Board on the day of signature. The individual financial statements of the parent company, which are part of the consolidated financial statements after reconciliation to the Company accounting standards, will be reviewed and adopted by the Supervisory Board. The Supervisory Board and – in the event of submission to the Annual General Meeting – the shareholders are allowed to make changes to the individual financial statements. This would affect the presentation of the consolidated financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in preparing these consolidated financial statements are outlined below. These policies have been consistently applied to all the years presented.

2.1 BASIS OF PRESENTATION

These 2012 Consolidated Financial Statements have been prepared under Sec. 245a of the Austrian Code of Commerce (UGB) in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

These consolidated financial statements have been prepared using the historical cost convention, as modified by the fair value valuation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires the Company's management to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in » NOTE 4.

For ease of presentation, numbers 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.

2.2 IMPACT OF NEW, REVISED OR AMENDED STANDARDS AND INTERPRETATIONS

a. New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2012 that would be expected to have a material impact on the Company.

The Company has applied the amendments to IAS 1 "Presentation of Other Comprehensive Income" in advance of the effective date (annual periods beginning on or after July 1, 2012). The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific

conditions are met. Income tax is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above-mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2012, and not early adopted.

Standard/Interpretation/Amendment		*Effective Date*	*Expected Effects*
IFRS 9	Financial instruments: Classification and Measurement	Jan. 1, 2015	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale
IFRS 10	Consolidated financial statements	Jan. 1, 2014	None
IFRS 12	Disclosures of interests in other entities	Jan. 1, 2014	Full impact is yet to be assessed
IFRS 13	Fair value measurement	Jan. 1, 2014	Full impact is yet to be assessed

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.3 CONSOLIDATION

Subsidiaries

Subsidiaries are those entities over which the Company has the power to govern financial and operating policies. Control usually exists in situations where the Company has more than 50% of the voting rights. Subsidiaries are fully consolidated as of the date on which control is transferred to the Company. They are derecognized as of the date that such control ceases to exist.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities, and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired the difference is recognized directly in the income statement.

Inter-company transactions, balances, and unrealized gains on transactions between group companies are eliminated.

2.4 SEGMENT REPORTING

The Company operates in a single business segment. For further disclosure see »NOTE 5.

2.5 FOREIGN CURRENCY TRANSLATION

a. Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros, which is the reporting Company's functional and presentation currency.

b. Transactions and balances

Foreign currency transactions are converted into the functional currency using exchange rates applicable on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the income statement.

Change in the fair value of monetary securities denominated in foreign currency and classified as "available-for-sale" is analyzed by considering translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are accounted for in profit or loss. Other changes in the carrying amount are accounted for in other comprehensive income and are shown as other reserves.

c. Subsidiaries

The results and financial position of all subsidiaries (none of which having the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

(i) Assets and liabilities presented for each balance sheet are converted according to the exchange rate valid on the balance sheet date;

(ii) Income and expenses for each income statement are converted at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are converted on the dates of the transactions); and

(iii) All resulting exchange differences are recognized as other comprehensive income and are shown as other reserves.

Upon consolidation, exchange differences arising from the conversion of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments are taken into shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that had been recorded in equity are recognized in the income statement as part of the gain or loss on sale.

2.6 REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue and the costs incurred in the transaction can be reliably measured. Revenue comprises the fair value of the consideration received or receivable in the course of the Company's ordinary activities for product sales, the grant of licenses, license options, or commercialization rights, and for services performed in collaboration with, or on behalf of, licensees or partners, as well as grants from governmental and non-governmental organizations designated to remunerate approved scientific research activities. Revenue is shown net of value-added tax, rebates, and discounts, and after eliminating sales within the Company. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognized as follows:

a. Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon delivery of the goods. In cases where the goods are sold via a distributor and where the consideration consists of a fixed part and a variable part that is only payable upon the distributor's sale of the product to the ultimate purchaser, the fixed consideration is recognized when the Company has delivered products to the distributor, the distributor has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. The variable part of such consideration is recognized as soon as the distributor has sold the product to the market and all conditions for the Company to receive the variable consideration have been met. The Company does not operate any loyalty programs.

b. Revenues from collaborations and licensing

The Company generates revenues from collaboration and license agreements for its product candidates and proprietary technologies. The terms of such agreements include license fees payable as initial fees, annual license maintenance fees, and fees to be paid upon achievement of milestones, as well as license option fees and fees for the performance of research services. In addition, the Company's collaboration and licensing arrangements generally provide for royalties payable on the licensee's future sales of products developed within the scope of the license agreement.

Under certain arrangements, the Company assumes multiple performance obligations, such as granting licenses and commercialization rights, supplying products or materials, and/or providing research services. If the fair value of the components of such an arrangement can be reliably determined, then revenue is recorded separately for each component. If it is not possible to determine the fair value of each element of an arrangement and no specific element is considerably more significant than any other element, then revenue is recognized on a straight-line basis over the life of the agreement.

The Company recognizes initial fees for the granting of licenses under non-cancelable contracts, which permit the licensee to freely exploit the licensed intellectual property rights when such rights are assigned and associated know-how is delivered. Additional non-refundable license fees to be paid upon the achievement of certain milestones are recognized as revenue when such a milestone has been achieved.

Under certain arrangements, the Company receives non-refundable up-front fees for granting license options, which allow the licensee to obtain, upon execution of the option, a license for specific intellectual property rights on pre-defined terms and conditions. Such option premiums are deferred and amortized over the option period and the arrangement is not considered to give rise to a financial asset or liability.

Fees received for the performance of research services are recognized as revenue when the service has been rendered and the collectability of the receivable is deemed probable. Up-front payments received for the future performance of research services are deferred and recognized when the research has been performed.

c. Grant income

Grants from governmental agencies and non-governmental organizations are recognized at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all conditions.

Grant monies received as reimbursement of approved research and development expenses are recognized as revenue when the respective expenses have been incurred and there is reasonable assurance that funds will be received. Advance payments received under such grants are deferred and recognized when these conditions have been met.

Government grant monies received to support the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

d. Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.7 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

2.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment mainly comprise a manufacturing facility and leasehold improvements in rented office and laboratory space. All property, plants and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and that the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment include machinery, for which validation is required to bring the asset to its working condition. The costs of such validation activities are capitalized together with the cost of the asset. Validation costs beyond the normal validation costs, which are usually required to bring an asset to its working condition are expensed immediately. The usual validation costs are capitalized on the asset and depreciated over the remaining life of the asset or the shorter period until the next validation is usually required.

Depreciation of assets is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

» Buildings, leasehold improvements	10–40 years
» Machinery, laboratory equipment	2–15 years
» Furniture, fittings and office equipment	4–10 years
» Hardware	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

2.9 INTANGIBLE ASSETS

a. Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and implement the specific software. These costs are amortized on a straight-line basis over their estimated useful lives, generally three to five years.

Costs associated with developing or maintaining computer software programs are recognized as expenses when they have been incurred.

b. In-process research and development projects

Acquired in-process research and development projects are capitalized. Amortization of the intangible asset over its useful life starts when the product has been fully developed and is ready for use. These costs are amortized on a straight-line basis over their useful lives, generally up to 20 years. As long as the useful life is indefinite, in-process research and development projects are tested annually for impairment and carried at cost less accumulated impairment losses. Furthermore, assets with an indefinite useful life and assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

c. Development costs

Research expenses are recognized as expenses when they have been incurred. Development expenses incurred on clinical projects (related to the design and testing of new or improved products) are recognized as intangible assets when the following criteria have been fulfilled:

a. It is technically feasible to complete the intangible asset so that it will be available for use or sale;
b. Management intends to complete the intangible asset and to utilize or sell it;
c. There is an ability to utilize or sell the intangible asset;
d. It can be demonstrated how the intangible asset will generate probable future economic benefits;
e. Adequate technical, financial, and/or other resources to complete the development and to utilize or sell the intangible asset are available; and
f. The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as expense when they have been incurred. Development costs that have been previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life, generally 15 years.

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill and capitalized in-process research and development projects not ready for use, are not subject to amortization and are tested annually for impairment. Furthermore, assets that have an indefinite useful life and assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 FINANCIAL ASSETS

The Company classifies its financial assets into the following categories: a) loans and receivables, and b) available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods, or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those with maturities beyond 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade receivables and other assets" in the balance sheet (» NOTE 2.14).

Loans and receivables are carried at amortized cost using the effective interest method. Impairment testing of trade receivables is described in » NOTE 2.14.

b. Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time and which may be sold in respect to needs for liquidity or changes in interest rates, exchange rates or equity prices. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the balance sheet date.

Purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs and available-for-sale financial assets are subsequently carried at fair value. Financial assets are derecognized when such a financial asset has been transferred or substantially all risks and rewards of ownership have been transferred, or when the rights to receive cash flows from the financial asset have expired.

Changes in the fair value of financial assets denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss. Changes in the fair value of monetary securities classified as available-for-sale are recognized in other comprehensive income and are shown as other reserves.

When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as "realized fair value gains or losses". The fair value of shares in an investment fund is determined by the daily redemption price at which such shares can be sold, as quoted by the fund, based on the fund's net asset value.

Interest on available-for-sale financial assets calculated using the effective interest method is recognized in the income statement as part of financial income.

For each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity securities classified as available-for-sale, a decline in fair value below acquisition cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset that was previously recognized in profit or loss – is removed from other comprehensive income and recognized in the income statement. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

2.12 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date.

2.13 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method, specifically the first-expiry first-out (FEFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) at standard costs. The variances between the actual costs and the standard costs are calculated in every financial reporting period and are allocated to the corresponding category of inventory, so there is no difference between actual and standard costs. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions for fault products are included in the value of inventories.

2.14 TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables and other assets are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and/or default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within 'General, selling and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognized in the income statement.

2.15 CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits include cash in hand, deposits held at call with banks, and time deposits.

2.16 NOMINAL CAPITAL, ADDITIONAL CAPITAL PAID IN, OTHER RESERVES AND RETAINED EARNINGS

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any, from the proceeds.

When the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly-attributable incremental costs (net of income taxes, if any) is deducted from equity attributable to the Company's equity holders until the shares are canceled, reissued or otherwise disposed of. In cases where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is included in equity attributable to the Company's equity holders.

The profit or loss for the year is fully included in retained earnings while other comprehensive income solely affects other reserves.

2.17 COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The fair value of the financial liability of the compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Borrowings are subsequently stated at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequently to initial recognition except on conversion or expiry.

2.18 TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 BORROWINGS

Borrowings are initially recognized at fair value if determinable, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.20 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.21 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit/loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not be reversed within the foreseeable future.

2.22 EMPLOYEE BENEFITS

a. Share-based payments

Equity-settled transactions
The Company operates an equity-settled, share-based compensation plan. The fair value of such share-based compensation is recognized as an expense for employee services received in exchange for the grant of the options. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Annually, the Company revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and makes a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to nominal capital (nominal value) and share premium (amount exceeding nominal value) when the options are exercised.

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date, up to, and including, the settlement date, with changes in fair value recognized in employee benefits expense.

b. Bonus plans

The Company recognizes a liability and an expense for bonuses. The Company recognizes a liability when it has assumed a contractual obligation or where there is a past practice that has created a constructive obligation.

2.23 PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties concerning the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are not recognized for future operating losses.

Re-structurings
A re-structuring provision is recognized when the Company has developed a detailed formal plan for the re-structuring and has raised a valid expectation in those affected that it will carry out the re-structuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a re-structuring provision includes only the direct expenditures arising from the re-structuring, which are those amounts that are both necessarily entailed by the re-structuring and not associated with the ongoing activities of the entity.

3 *Financial risk management*

3.1 FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk, and price risk), credit risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial risk management is carried out by a central finance department under the close supervision of the Management Board. The central finance department identifies, evaluates, and manages financial risks. The Management Board submits regular reports on its risk management systems, including the management of financial risks, to the audit committee of the Supervisory Board.

a. Market risk

Foreign exchange risk
The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar ("USD"), the British Pound ("GBP") and the Swiss Franc ("CHF"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

The objective of the Company is to limit the potential negative impact of the foreign exchange rate changes.

The Company has adopted a hedging policy, but at December 31, 2012 it does not have any derivative hedging instrument for its currency exposure in place.

The Company has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk.

At December 31, 2012, if the USD had weakened by 10% against the Euro, with all other variables held constant, pre-tax loss for the year would have been higher by EUR 953 thousand (2011: EUR 536 thousand), mainly as a result of foreign exchange losses on the translation of USD-denominated cash equivalents and trade receivables, partly offset by a positive effect from trade payables. Income was more sensitive to fluctuations in the Euro/USD exchange rate at the balance sheet date in 2012 than it was in 2011 mainly because of the increased amount of USD-denominated trade receivables.

At December 31, 2012, if the GBP had weakened by 10% against the Euro with all other variables held constant, pre-tax loss for the year would have been EUR 52 thousand higher (2011: EUR 66 thousand). Income was less sensitive to fluctuations in the Euro/GBP exchange rate at the balance sheet date in 2012 than it was in 2011 mainly because of the decreased amount of GBP-denominated cash equivalents.

At December 31, 2012, if the CHF had weakened by 10% against the EUR with all other variables held constant, pre-tax loss for the year would have been EUR 21 thousand higher (2011: EUR 6 thousand). Income was more sensitive to fluctuations in the Euro/CHF exchange rate at the balance sheet date in 2012 than it was in 2011 mainly because of the increased amount of CHF-denominated cash equivalents.

Price risk
The Company is exposed to debt securities price risk because of investments held by the Company and classified on the consolidated balance sheet as available-for-sale, which depends on factors like interest rate changes, credit spreads, market liquidity, and general economic conditions. The Company is not exposed to commodity price risk.

At December 31, 2012, the calculated impact on other comprehensive income of a 1% shift in prices of debt securities would be EUR 327 thousand (2011: EUR 341 thousand).

Cash flow and fair value interest rate risk
The Company is exposed to cash flow interest rate risk from its investments in interest-bearing non-derivative assets and borrowings subject to variable interest rates.

The Company's interest rate risk arises mainly from investments in debt securities, either directly or through mutual funds and finance leasing. Debt securities issued at variable rates expose the Company to cash flow interest rate risk. Debt securities issued at fixed rates expose the Company to fair value interest rate risk. The Company's policy is to maintain the major part of its investments in variable rate instruments and when investments in fixed interest rate instruments are made, to select instruments with a short duration. Borrowings issued at variable rates expose the Company to cash flow interest rate risk, which is offset by cash and financial assets held at variable rates. During 2012 and 2011, the Company's investments at variable rate as well as the borrowings at variable rate were denominated in Euros.

The Company analyzes its interest rate exposure on a dynamic basis. Based on this analysis, the Company calculated the impact on profit and loss of a defined interest rate shift. The same interest rate shift was used for all currencies. The calculation only includes investments in available-for-sale securities and cash in banks that represent major interest-bearing positions. As of the balance sheet date, the calculated impact on income before tax of a 0.25% shift would be an increase or decrease of EUR 19 thousand (2011: EUR 17 thousand).

The Company has policies in place to limit the potential impact on income and operating cash flows arising from changes in interest rates. As of December 31, 2012, available-for-sale financial assets comprise bonds secured by the Austrian Government, floating rate notes, and money market funds, which mainly invest in short-term deposits, short-term debt securities and asset-backed securities.

b. Credit risk

The Company is exposed to concentrations of credit risk. The Company holds bank accounts, cash balances, and securities at quality financial institutions with high credit ratings. To monitor the credit quality of its counterparts, the Company relies on credit ratings as published by specialized rating agencies such as Standard & Poor's, Moody's, and Fitch. The Company has policies that limit the amount of credit exposure to any single financial institution. The Company is also exposed to credit risk from its trade debtors, as its collaborations and licensing income arises from a small number of transactions. The Company has policies in place to enter into such transactions only with highly reputable, financially sound counterparts. If customers are independently rated, these ratings are used. Otherwise, in the case that there is no independent rating, risk management assesses the credit quality of the customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The credit quality of financial assets is described in »NOTE 2.14.

c. Liquidity risk

The Company is exposed to liquidity risk resulting from the maturity of its financial liabilities. Furthermore, liquidity risk results from the fact that the Company's operating cash flow is subject to fluctuations during accounting periods. Prudent liquidity risk management therefore implies maintaining sufficient cash and marketable securities in order to satisfy ongoing operating requirements and the ability to close out market positions. Extraordinary conditions on the financial markets may, however, temporarily restrict the possibility to liquidate certain financial assets.

The table below analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At December 31, 2011 ***EUR in thousands***	***Less than 1 year***	***Between 1 and 3 years***	***Between 3 and 5 years***	***Over 5 years***
Borrowings (excluding finance lease liabilities)[1]	12,539	17,866	1,048	763
Finance lease liabilities[1]	1,303	3,036	2,456	30,786
Trade and other payables	13,906	152	–	–
	27,748	**21,055**	**3,504**	**31,549**

At December 31, 2012 ***EUR in thousands***	***Less than 1 year***	***Between 1 and 3 years***	***Between 3 and 5 years***	***Over 5 years***
Borrowings (excluding finance lease liabilities)[1]	13,195	18,858	21,342	3,947
Finance lease liabilities[1]	1,229	2,170	2,010	28,277
Trade and other payables	12,716	–	–	–
	27,139	**21,028**	**23,352**	**32,223**

The fair values as well as the book values of the Company's borrowings are disclosed in »NOTE 25.

[1] The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore, finance leases have been shown separately.

To manage liquidity risk, the Company holds sufficient cash balances and generally invests in securities that can be promptly converted into cash. In addition, the Company diversifies its investments in debt securities across different classes of issuers and debt instruments, such as bonds secured by the Austrian Government, floating rate notes, and mutual money market funds.

3.2 ACCOUNTING FOR HEDGING ACTIVITIES

At the balance sheet date, the Company does not engage in any hedging activities.

3.3 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide benefits for shareholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company actively manages its funds to primarily ensure liquidity and principal preservation while seeking to maximize returns. The Company's cash and short-term investments are located at several different banks and financial investments are made in liquid, highly diversified investment instruments in balanced risk categories. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

Consistent with its stage of development as a biotech company with lower cash flows from product sales than R&D expenses, the Company principally relies on equity financing. Capital consists of "equity" as shown in the consolidated balance sheet.

3.4 FAIR VALUE ESTIMATION

The fair value of financial instruments traded on active markets (such as available-for-sale securities) is based on market prices or dealer quotes at the balance sheet date.

The fair value of financial instruments that are not traded on an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing upon each balance sheet date, such as estimated discounted cash flows and market prices or dealer quotes for similar instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the relatively short maturity of the respective instruments. The fair value of investment funds held as available-for-sale financial assets is based on current bid rates offered by the investment fund manager based on the current market price of the fund's assets on the balance sheet date. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Management makes estimates and assumptions concerning the future. Actual future results may, by definition, differ from accounting estimates resulting from such estimates and assumptions.

Available-for-sale financial assets
The Company holds securities as part of its short-term cash management strategy. Such securities are accounted for as available-for-sale financial instruments (according to IAS 39.9) and include bonds secured by the Austrian government, floating rate notes, money market funds and asset-backed securities. Fair value losses, currently recorded in other comprehensive income, attributable to a euro-denominated fund with its principal investments in asset-backed securities are EUR 841 thousand (December 31, 2011: EUR 2,383 thousand). No impairment charges on this fund have been included in the income statement. Should the Company decide to dispose of this fund at the current net asset value provided by the investment trust or should there be objective evidence for an impairment need that can be reliably estimated according to IAS 39.59 in the future, the incurred fair value losses on this fund will negatively impact the Company's income statement. In addition, a turmoil in the asset-backed securities markets may lead to further fair value losses of the fund.

Share-based payments
The fair value of share options granted to the Company's management and its employees is determined by using valuation techniques. As there had been no public market for the Company's equity securities until February 2005, Management's judgment as to the fair value was required and a number of estimates in applying such valuation techniques for the accounting periods before this date had to be made. Beginning from 2005, the Management's judgment in regard to the estimated volatility was required for valuation of the Black Scholes Model. In the past, the historical volatilities have been used for the estimation of future volatilities. From 2008 on, due to the current fluctuations on the stock exchange, the Management used the best estimate on historical volatilities from prior years.

Impairment testing of acquired research and development projects
The Company acquired intangible assets (in-process research & development projects) on acquisitions of companies, which amounted to EUR 35,729 thousand at the balance sheet date (December 31, 2011: EUR 36,696 thousand).

Determining whether the carrying amounts of in-process research and development projects are impaired, requires an estimation of the net present value of the research and development projects to which these values have been allocated. The net present value calculation (risk-adjusted discounted cash flow method) requires the Management Board to estimate future cash flows expected to arise from the projects, suitable risk-adjustment parameters reflecting the probability of project success, and a suitable discount rate in order to calculate the present value.

4.2 CRITICAL JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

Revenue recognition
The Company generates revenues from collaboration and license agreements for its product candidates and proprietary technologies. Such agreements usually provide for multiple performance obligations and multiple fee components. Management's judgment is required to determine whether such different elements of an agreement are, from the partner's perspective, viewed as one transaction or as separately identifiable components, and, where revenue recognition criteria are applied separately to multiple components of an agreement, to determine the fair value of each component of an arrangement.

Deferred taxes
In December 2010, the late-stage Travelers' Diarrhea vaccine candidate failed to meet efficacy endpoints in Phase II and Phase III clinical studies and further development of this program has been stopped. Therefore, there is no sufficient evidence that adequate taxable profit will be available against which the unused tax losses can be utilized in the foreseeable future.

Development costs
In 2009, the Company obtained marketing authorizations for its first product, a Japanese Encephalitis vaccine. Management's judgment is that with the approvals the ability to utilize the product is achieved and that the product will generate probable future economic benefits in further markets (children protection). Therefore, development costs for this product are capitalized and amortized over the useful life.

5 Segment information

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

5.1 GEOGRAPHICAL SEGMENTS

In presenting information on the basis of geographical segments, segment revenue is based on the final location where our distribution partner sells the product or the customer/partner is located. Segment assets are based on the geographical location of the assets.

Revenues per geographical segment

EUR in thousands	*Year ended December 31,*	
	2012	*2011*
Austria	745	943
Europe – without Austria	16,729	12,587
North America	15,137	15,794
Other	3,055	3,562
REVENUES	**35,665**	**32,884**

Non-current assets per geographical segment

EUR in thousands	*At December 31,*	
	2012	*2011*
Austria	89,533	90,879
Europe – without Austria	10,768	11,391
North America	3,258	4,253
NON-CURRENT ASSETS	**103,558**	**106,524**

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

5.2 INFORMATION ABOUT MAJOR CUSTOMERS

Collaboration and licensing revenue from the two largest customers amounted to EUR 4,192 thousand (2011: EUR 4,817 thousand) and EUR 3,750 thousand (2011: EUR 4,523 thousand) respectively. Product sales to the largest distribution partner amounted to EUR 16,001 thousand (2011: EUR 10,915 thousand).

6 *Expenses by nature*

Cost of goods sold, research and development expenses, general, selling, and administrative expenses, and re-structuring and impairment include the following items by nature of cost:

EUR in thousands	*Year ended December 31,*		
	2012	*2011*	
	Total	*Total*	*Thereof re-structuring and impairment*
Consulting and other purchased services	14,188	20,008	*(2,562)*
Employee benefit expense (» NOTE 7)	20,179	27,528	*915*
Depreciation, amortization and write-off	7,228	11,954	*4,435*
Building and energy costs	3,502	4,968	–
Raw materials and consumables used	1,744	2,161	–
Supply, office and IT-costs	1,005	1,689	–
Travel and transportation costs	874	1,288	–
Advertising costs	1,655	229	–
License fees and royalties	3,231	2,502	–
Other expenses	139	191	–
Amounts capitalized as development costs and changes in inventory	4,037	(6,034)	–
COST OF GOODS SOLD, RESEARCH AND DEVELOPMENT EXPENSES, GENERAL, SELLING, AND ADMINISTRATIVE EXPENSES, AND RE-STRUCTURING AND IMPAIRMENT	**57,781**	**66,483**	***2,787***

According to Sec. 245a of the Austrian Code of Commerce (UGB) in accordance with Sec. 266 no 11 of the Austrian Code of Commerce (UGB) the Company has to disclose the expenses for the statutory auditor. In 2012, these expenses amounted to EUR 183 thousand (2011: EUR 204 thousand) and the details of the expenses are as follows:

EUR in thousands	*Year ended December 31,*	
	2012	*2011*
Audit of consolidated and individual financial statements	75	75
Other assurance services	88	115
Other services	20	14
EXPENSES FOR AUDITORS	**183**	**204**

7 *Employee benefit expense*

Employee benefit expenses include the following:

EUR in thousands	*Year ended December 31,*	
	2012	*2011*
Salaries	16,212	21,319
Social security contributions	3,139	3,928
Training and education	465	420
Share options granted to management and employees	(257)	1,157
Other employee benefits	620	705
EMPLOYEE BENEFIT EXPENSE	**20,179**	**27,528**

During the year 2012, an average of 260 white-collar workers and 4 blue-collar workers were employed (2011: 335 white-collar and 8 blue-collar workers).

8 *Other income/(expenses), net*

Other income, net of other expenses, includes the following:

EUR in thousands	*Year ended December 31,*	
	2012	*2011*
Foreign exchange gain/(loss), net	(196)	3,044
Taxes, duties, fees, charges, other than income tax	(84)	(82)
R&D tax credit	1,343	3,075
Insurance reimbursement	971	–
Gain/(loss) on disposal of fixed assets, net	239	(53)
Re-structuring and impairment	(2)	(2,787)
Miscellaneous income/(expenses), net	202	197
OTHER INCOME/(EXPENSES), NET	**2,472**	**3,395**

R&D tax credit is an Austrian tax premium of 10% on research and development expenses, which is credited to a company's tax account and may be paid out in cash.

The insurance reimbursement relates to insurance proceeds where the goods have been damaged and written off in the prior year.

Re-structuring and impairment, which was shown as separate item in the prior year, included the following:

EUR in thousands	*Year ended December 31,*	
	2012	*2011*
Impairment of intangibles and fixed assets	2	4,435
Employee termination costs	–	915
Other re-structuring costs	–	(2,562)
RE-STRUCTURING AND IMPAIRMENT	**2**	**2,787**

In December 2010, the Company's late-stage Travelers' Diarrhea vaccine candidate failed to meet efficacy endpoints in Phase II and Phase III clinical studies and further development of this program has been stopped, the research and development projects were adjusted and a reorganization process was implemented. During the year 2011, the re-structuring program was executed and resulted in a partial reversal of the re-structuring provision from the year 2010, due to lower than expected costs. The R&D site consolidation strategy resulted in additional employee termination costs and further fixed assets and intangible assets have been impaired in 2011. For more details see » NOTES 12, 13 AND 26.

9 *Finance income/(expenses), net*

EUR in thousands	*Year ended December 31,*	
	2012	*2011*
Finance income		
» Interest income from bank deposits	132	160
» Interest income on available-for-sale financial assets	329	839
» Fair value gains on increase option	–	1,596
	462	**2,595**
Finance expense		
» Interest expense to banks and government agencies	(487)	(659)
» Interest expense on convertible notes	(2,086)	(2,466)
» Interest expense on other loans	(2,308)	–
» Realized losses from the sale of available-for-sale financial assets	(798)	(597)
» Fair value losses on available-for-sale financial assets	–	(766)
	(5,679)	**(4,488)**
FINANCE INCOME/(EXPENSES), NET	**(5,217)**	**(1,893)**

The Company benefits from government assistance through arranging borrowing facilities that would have otherwise not been available to the Company. This assistance includes guarantees for the amount outstanding.

10 *Income tax*

10.1 TAX INCOME/(EXPENSE)

Income tax is comprised of current and deferred tax.

EUR in thousands	*Year ended December 31,*	
	2012	*2011*
Current tax	(250)	(4)
Deferred tax	(226)	48
INCOME TAX	**(476)**	**44**

The individual entities' reconciliations – prepared on the basis of the tax rates applicable in each country and while taking consolidation procedures into account – have been summarized in the reconciliation below. The estimated tax charge is reconciled to the effective tax charge disclosed.

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

EUR in thousands	*Year ended December 31,*	
	2012	*2011*
Loss before tax	(24,861)	(29,309)
Tax calculated at domestic tax rates applicable to profits in the respective countries	6,070	8,198
Income not subject to tax	287	776
Expenses not deductible for tax purposes	(415)	(454)
Deferred tax asset not recognized	(7,212)	(8,139)
Derecognition of tax losses previously recognized, and adjustments in respect of prior years	783	(229)
Effect of change in applicable tax rate	8	(71)
Exchange differences	8	(31)
Minimum corporate income tax	(4)	(4)
INCOME TAX	**(476)**	**44**
Effective tax rate	(2%)	0%

The weighted average applicable tax rate was 24.4% (2011: 28%).

10.2 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The offset amounts are as follows:

EUR in thousands	*At December 31,*	
	2012	*2011*
Deferred tax assets:		
» Deferred tax asset to be recovered after more than 12 months	8,767	7,197
» Deferred tax asset to be recovered within 12 months	3,866	5,592
	12,633	**12,790**
Deferred tax liabilities:		
» Deferred tax liability to be recovered after more than 12 months	(12,349)	(12,375)
» Deferred tax liability to be recovered within 12 months	(403)	(311)
	(12,752)	**(12,686)**
DEFERRED TAX, NET	**(119)**	**104**

The gross movement on the deferred income tax account is as follows:

EUR in thousands	*2012*	*2011*
Beginning of year	104	62
Exchange differences	4	(7)
Income statement charge	(227)	48
END OF YEAR	**(119)**	**104**

The deferred tax assets and liabilities are allocable to the various balance sheet items as follows:

EUR in thousands	*At December 31,*	
	2012	*2011*
Deferred tax asset from		
Tax losses carried forward	117,451	110,855
Fixed assets	2,642	4,731
Other items	6,945	7,750
Non-recognition of deferred tax assets	(114,405)	(110,547)
Total deferred tax assets	**12,633**	**12,790**
Deferred tax liability from		
Accelerated tax depreciation	(306)	(5,680)
Intangible assets	(12,180)	(6,578)
Other items	(267)	(427)
Total deferred tax liability	**(12,752)**	**(12,686)**
DEFERRED TAX, NET	**(119)**	**104**

The income tax rate in the United Kingdom has been reduced from 28% to 24%. The deferred tax assets and liabilities presented above as at December 31, 2012 have been adjusted for this change in tax rates.

The tax losses of EUR 392,251 thousand (2011: EUR 316,984 thousand) that were carried forward are not recognized as it is not considered probable that future taxable profits will be available against the unused tax losses.

The resulting deferred tax assets were only recognized for entities where sufficient evidence has been provided that adequate taxable profit will be available against which the unused tax losses can be utilized in the foreseeable future.

Operating loss carry forwards of approximately EUR 126,204 thousand (2011: EUR 137,146 thousand) and the research and development credits of EUR 5,617 thousand (2011: EUR 5,661 thousand) will begin to expire in the year 2023 if unused.

11 *Earnings/Losses per share*

Basic earnings/losses per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of outstanding shares during the year, excluding shares purchased by the Company and held as treasury shares (**» NOTE 19**).

	Year ended December 31,	
	2012	*2011*
Net loss attributable to equity holders of the Company (EUR in thousands)	(25,337)	(29,265)
Weighted average number of outstanding shares	52,117,343	48,290,471
Basic earnings/(losses) per share (EUR per share)	**(0.49)**	**(0.61)**

Diluted losses per share equal basic losses per share because the conversion of all potentially dilutive shares (outstanding share options, **» NOTE 20**, and convertible bond, **» NOTE 25.3**) would result in a decrease in the loss per share and is therefore not to be treated as dilutive.

12 Property, plant and equipment

EUR in thousands	*Buildings and leasehold improvements*	*Manufacturing and laboratory equipment*	*Computer hardware*	*Furniture, fittings and other*	*Assets in the course of construction*	*Total*
January 1, 2011						
Cost	51,904	20,038	1,829	1,726	–	75,497
Accumulated depreciation and impairment	(10,793)	(14,279)	(1,367)	(864)	–	(27,303)
NET BOOK VALUE	**41,111**	**5,758**	**463**	**862**	**–**	**48,194**
Year ended December 31, 2011						
Opening net book value	41,111	5,758	463	862	–	48,194
Exchange rate differences	248	76	6	8	–	338
Additions	367	746	200	46	68	1,427
Reclassification	–	–	–	–	–	–
Disposals	–	(5)	(40)	–	–	(46)
Depreciation charge	(2,191)	(1,751)	(261)	(162)	–	(4,365)
Impairment charge	(1,260)	(5)	(64)	–	–	(1,329)
Closing net book value	**38,276**	**4,820**	**303**	**754**	**68**	**44,220**
December 31, 2011						
Cost	52,331	20,592	1,384	1,800	68	76,175
Accumulated depreciation and impairment	(14,056)	(15,772)	(1,081)	(1,047)	–	(31,955)
NET BOOK VALUE	**38,276**	**4,820**	**303**	**754**	**68**	**44,220**
Year ended December 31, 2012						
Opening net book value	38,276	4,820	303	754	68	44,220
Exchange rate differences	140	14	1	1	–	155
Additions	5	440	67	7	–	519
Reclassification	57	–	–	–	(57)	–
Disposals	–	(524)	(21)	(114)	(11)	(671)
Depreciation charge	(1,862)	(1,326)	(190)	(119)	–	(3,497)
Closing net book value	**36,615**	**3,424**	**159**	**528**	**–**	**40,726**
December 31, 2012						
Cost	44,525	14,587	1,153	1,014	–	61,279
Accumulated depreciation and impairment	(7,910)	(11,163)	(994)	(486)	–	(20,553)
NET BOOK VALUE	**36,615**	**3,424**	**159**	**528**	**–**	**40,726**

Depreciation and amortization expenses of EUR 2,505 thousand (2011: EUR 3,176 thousand) were charged to research and development expenses and EUR 37 thousand (2011: EUR 70 thousand) to general, selling, and administrative expenses.

Operating property leases amounting to EUR 404 thousand (2011: EUR 1,501 thousand) are included in the income statement.

Property, plant and equipment contain the following amounts where the Company is a lessee under a finance lease agreement for the head office and research laboratory building in Vienna, including a waiver of termination right for 15 years as well as a purchase option:

EUR in thousands	*Buildings and leasehold improvements*	*Manufacturing and laboratory equipment*	*Computer hardware*	*Furniture, fittings and other*	*Assets in the course of construction*	*Total*
December 31, 2011						
Cost	34,795	2,128	126	598	–	37,647
Accumulated depreciation	(2,636)	(975)	(88)	(224)	–	(3,923)
NET BOOK VALUE	**32,159**	**1,153**	**38**	**374**	**–**	**33,724**
December 31, 2012						
Cost	34,795	2,128	126	598	–	37,649
Accumulated depreciation	(3,457)	(1,290)	(109)	(296)	–	(5,152)
NET BOOK VALUE	**31,338**	**838**	**17**	**303**	**–**	**32,496**

13 Intangible assets

EUR in thousands	*Software*	*In-process R&D*	*Develop-ment costs*	*Advance payments*	*Total*
January 1, 2011					
Cost	2,021	60,696	21,160	8	83,885
Accumulated amortization and impairment	(1,172)	(20,122)	(1,100)	–	(22,394)
NET BOOK VALUE	**849**	**40,574**	**20,060**	**8**	**61,491**
Year ended December 31, 2011					
Opening net book value	849	40,574	20,060	8	61,491
Exchange rate differences	3	111	102	–	216
Additions	384	323	6,395	2	7,105
Reclassification	8	–	–	(8)	–
Disposals	(35)	–	–	–	(35)
Amortization charge	(435)	(1,130)	(1,724)	–	(3,289)
Impairment charge	–	(3,183)	–	–	(3,183)
Closing net book value	**774**	**36,696**	**24,833**	**2**	**62,304**
December 31, 2011					
Cost	1,996	61,769	27,665	2	91,432
Accumulated amortization and impairment	(1,222)	(25,074)	(2,832)	–	(29,128)
NET BOOK VALUE	**774**	**36,696**	**24,833**	**2**	**62,304**
Year ended December 31, 2012					
Opening net book value	774	36,696	24,833	2	62,304
Exchange rate differences	–	(65)	86	–	22
Additions	143	243	3,834	–	4,220
Reclassification	2	–	–	(2)	–
Disposals	–	–	–	–	–
Amortization charge	(383)	(1,145)	(2,185)	–	(3,713)
Closing net book value	**536**	**35,729**	**26,568**	**–**	**62,832**
December 31, 2012					
Cost	2,139	41,906	31,598	–	75,643
Accumulated amortization and impairment	(1,603)	(6,178)	(5,030)	–	(12,811)
NET BOOK VALUE	**536**	**35,729**	**26,568**	**–**	**62,832**

13.1 SIGNIFICANT INTANGIBLE ASSETS

Intangible assets relating to the Company's Japanese Encephalitis vaccine comprise its development costs, licenses, and milestone payments made for the product. The carrying amount of the assets of EUR 30,015 thousand (2011: EUR 24,679 thousand) will be fully amortized in 11 years (2011: 12 years).

13.2 IMPAIRMENT TESTING OF IN-PROCESS RESEARCH & DEVELOPMENT PROJECTS

The book values of in-process research and development projects capitalized have been assessed annually for impairment testing purposes using the risk-adjusted discounted cash flow method.

The value-in-use calculations use post tax project cash flow projections based on the Company's long-range business model including the Management's best estimate on probability of success of the respective projects (risk-adjustment) and a discount rate of 12.06% per annum (2011: 11.92% per annum).

The long range business model covers a period of 20 years and therefore accounts for all project related cash flows from the development stage over the market entry until the market phase-out (project life cycle) of the relevant projects.

The discount rate of 12.06% per annum (2011: 11.92% per annum) is based on 2.36% (2011: 3.49%) risk-free rate, 6.5% (2011: 5%) market risk premium, a beta of 0.92 (2011: 0.94) and 3.74% (2011: 3.74%) size premium.

There was no impairment of in-process research & development projects in the year 2012 (2011: EUR 3,183 thousand).

13.3 SENSITIVITY TO CHANGES IN ASSUMPTIONS

The net present value calculations are most sensitive to the following assumptions:
» Probability of project success
» Discount rate

The result of research and development projects is inherently uncertain and the Company may experience delays or failures in clinical trials. A failure to demonstrate safety and efficacy in clinical product development of one of the acquired research and development projects would result in an impairment loss.

The net present value calculation uses a discount rate of 12.06% per annum (2011: 11.92% per annum). An increase in the discount rate of one percentage point would result in no impairment loss (2011: EUR 0.0m).

The net present value calculation uses a probability of success rate of 50% per annum for products in the stage of pivotal regulatory studies (2011: 50% per annum). A decrease in the probability of success rate of ten percentage points would result in no impairment loss (2011: EUR 0.0m).

14 Financial instruments

14.1 FINANCIAL INSTRUMENTS BY CATEGORY

December 31, 2011 *EUR in thousands*	*Loans and receivables*	*Available for sale*	*Total*
Assets as per balance sheet			
Available-for-sale financial assets	–	34,486	34,486
Trade and other receivables[1]	18,087	–	18,087
Cash and short-term deposits	16,373	–	16,373
ASSETS	**34,460**	**34,486**	**68,946**

	Other financial liabilities	*Total*
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)[2]	30,345	30,345
Finance lease liabilities[2]	33,602	33,602
Trade and other payables[3]	14,058	14,058
LIABILITIES	**78,005**	**78,005**

December 31, 2012 *EUR in thousands*	*Loans and receivables*	*Available for sale*	*Total*
Assets as per balance sheet			
Available-for-sale financial assets	–	32,796	32,796
Trade and other receivables[1]	21,068	–	21,068
Cash and short-term deposits	12,137	–	12,137
ASSETS	**33,205**	**32,796**	**66,001**

	Other financial liabilities	*Total*
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)[2]	39,558	39,558
Finance lease liabilities[2]	32,265	32,265
Trade and other payables[3]	12,716	12,716
LIABILITIES	**84,538**	**84,538**

[1] Prepayments and tax receivables are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.

[2] The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore, finance leases have been shown separately.

[3] Social security and other tax payables are excluded from the trade and other payables balance, as this analysis is required only for financial instruments.

14.2 FAIR VALUE MEASUREMENTS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2011 *EUR in thousands*	*Level 1*	*Total*
Available-for-sale financial assets		
Government bonds	14,163	14,163
Bank notes	15,055	15,055
Mutual funds	2,027	2,027
Asset-backed securities	3,241	3,241
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**34,486**	**34,486**

December 31, 2012 *EUR in thousands*	*Level 1*	*Total*
Available-for-sale financial assets		
Corporate bonds (secured by Austrian government)	10,471	10,471
Bank notes	10,084	10,084
Mutual funds	10,014	10,014
Asset-backed securities	2,227	2,227
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**32,796**	**32,796**

On February 23, 2011, the Company announced the placement of EUR 33.0 million of Senior Unsecured Convertible Notes in a private placement transaction (see **» NOTE 25.3**). The increase option component that resulted from the original investors' right to purchase additional notes was a Level 3 financial instrument and its fair value tended to zero as of December 31, 2011. Since this increase option was not exercised in March and September 2012, respectively, it expired.

There were no available-for-sale financial assets in Level 2 and Level 3 as of December 31, 2011 and as of December 31, 2012.

14.3 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates as follows:

EUR in thousands	*At December 31,*	
	2012	*2011*
Trade receivables and other financial assets[1]		
Receivables from governmental institutions	4,263	2,043
AA	4,498	3,326
A	–	11,296
Counterparties without external credit rating	12,307	1,422
TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS[1]	**21,068**	**18,087**
Cash at bank and short-term bank deposits		
AAA	18	18
AA	–	–
A	12,114	16,345
Counterparties without external credit rating or rating below A	6	10
CASH AT BANK AND SHORT-TERM BANK DEPOSITS	**12,137**	**16,373**
Available-for-sale debt securities		
AAA	2,516	14,402
AA	13,705	999
A	14,662	15,746
Counterparties without external credit rating or rating below A	1,913	3,338
AVAILABLE-FOR-SALE DEBT SECURITIES	**32,796**	**34,486**

[1] Prepayments and tax receivables are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.

The rating information refers to long-term credit rating as published by Standard & Poor's.

The maximum exposure to credit risk at the reporting date is the fair value of the financial assets. None of the financial assets is either past due or impaired.

15 *Available-for-sale financial assets*

EUR in thousands	*At December 31,*	
	2012	*2011*
Non-current	–	–
Current	32,796	34,486
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**32,796**	**34,486**

The following table shows the development of the book value of the Company's available-for-sale financial assets:

EUR in thousands	*2012*	*2011*
Beginning of the year	34,486	59,261
Additions	35,597	–
Disposals	(37,946)	(25,044)
Changes in accrued interest	(228)	(106)
Net gains transfer to other comprehensive income	1,263	1,316
Fair value losses recognized in loss for the period	(375)	(941)
END OF THE YEAR	**32,796**	**34,486**

Available-for-sale financial assets include bonds secured by the Austrian government, floating rate notes, money market investment funds, and asset-backed security funds.

The amount of fair value revaluation surplus/(loss) that had originally been booked to other comprehensive income and was subsequently recognized in profit or loss on sale of available-for-sale financial assets for the year 2012 was EUR 934 thousand loss (2011: EUR 717 thousand loss).

Available-for-sale financial assets are denominated in EUR.

16 *Inventory*

EUR in thousands	*At December 31,*	
	2012	*2011*
Raw materials	650	641
Work in progress	5,317	6,411
Finished goods	1,657	2,685
INVENTORY	**7,624**	**9,737**

The cost of inventories recognized as an expense and included in "cost of sales" amounted to EUR 17,171 thousand (2011: EUR 14,307 thousand). The cost of inventories recognized as an expense includes EUR 2,528 thousand (2011: EUR 4,140 thousand) in respect of write-downs of inventory to net realizable value.

Since 2011, standard costs are used to calculate the inventory cost of finished goods and work in progress.

17 Trade receivables and other assets

Trade receivables and other assets include the following:

EUR in thousands	At December 31,	
	2012	2011
Trade receivables	9,771	6,655
Less: provision for impairment of receivables	–	–
Trade receivables, net	9,771	6,655
Prepaid expenses	895	1,056
Other receivables	16,145	17,015
	26,812	**24,726**
Less non-current portion	(11,296)	(11,481)
CURRENT PORTION	**15,515**	**13,245**

The fair values of trade and other receivables equal their book values.

18 Cash and short-term deposits

EUR in thousands	At December 31,	
	2012	2011
Cash and cash equivalents	12,120	16,356
Short-term bank deposits with a maturity between 3 and 12 months	18	18
CASH AND SHORT-TERM DEPOSITS	**12,137**	**16,373**

Cash and cash equivalents include cash-at-bank and in-hand, as well as short-term bank deposits with a maturity of less than 3 months.

19 Nominal capital and additional capital paid in

EUR in thousands (except numbers of shares)	Shares issued				Treasury shares		Total nominal capital and additional capital paid in
Balance sheet item	Nominal capital		Additional capital paid in				
	Number of shares	Nominal capital	Share premium	Capital from ESOP*	Number of shares	Book value	
Balance at January 1, 2011	***48,592,219***	**48,592**	**385,234**	**23,023**	***301,748***	**(292)**	**456,557**
Employee share option plan:							
» value of employee services	–	–	–	1,157	–	–	1,157
Cost of equity transactions	–	–	(61)	–	–	–	(61)
BALANCE AT DECEMBER 31, 2011	***48,592,219***	**48,592**	**385,173**	**24,179**	***301,748***	**(292)**	**457,653**
Balance at January 1, 2012	***48,592,219***	**48,592**	**385,173**	**24,179**	***301,748***	**(292)**	**457,653**
Employee share option plan:							
» value of employee services	–	–	–	(257)	–	–	(257)
Issuance of common stock, June 2012	*6,591,742*	6,592	8,569	–	–	–	15,161
Cost of equity transactions	–	–	(1,589)	–	–	–	(1,589)
BALANCE AT DECEMBER 31, 2012	***55,183,961***	**55,184**	**392,153**	**23,923**	***301,748***	**(292)**	**470,968**

*** Employee share option plan**

At December 31, 2012, the Company had issued 55,183,961 common shares, which were fully paid in. The shares issued have no par value. Each share of the Company has one equal vote and equal dividend rights. The Company's total number of outstanding shares as of December 31, 2012 - excluding 301,748 shares held as treasury stock - was 54,882,213.

Since February 28, 2005, the Company's shares are listed on the Official Market (*Amtlicher Handel*) and traded in the Prime Market Segment of the Vienna Stock Exchange.

Conditional and authorized capital

The Company has 5,784,457 shares of conditional capital to service the exercise of existing stock options (**» NOTE 20**).

In addition, the Management Board has been authorized, subject to approval by the Supervisory Board, to increase the registered share capital of the Company by issuing up to 8,408,258 new shares of common stock.

In February 2011, the Company issued convertible bonds including certain increase options for the bond holders (see **» NOTE 25.3**), which, together, upon exercise of the conversion right by the bond-holders, could result in the subscription for up to 15,000,000 new bearer shares of common stock out of the Company's conditional capital for convertible notes.

Increases of share capital
In June 2012, the Company completed an equity private placement of 6,591,742 new shares at an offering price of EUR 2.30 per share, which resulted in gross proceeds of EUR 15.2 million. The net proceeds from the issuance of new shares, after deducting EUR 1.6 million in offering fees and expenses, were EUR 13.6 million.

Treasury stock
In previous accounting periods, the Company repeatedly had acquired a certain number of its own shares in connection with its employee share option plan. The amount paid to acquire these shares was recorded at cost and deducted from equity. The corresponding amount deducted from equity was EUR 292 thousand as of December 31, 2012 as well as of December 31, 2011.

20 Share-based payments

Share options are granted to members of the Management Board, the Supervisory Board, and to employees (Employee Stock Option Plan – ESOP). 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 (the vesting period). Special option packages are offered to members of the Management Board and to key employees upon being hired or as a special incentive and vest after three years. Options granted from 2006 onwards only become exercisable 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 (cancelation). Options granted from 2008 onwards become exercisable with the effectiveness of the takeover of more than 50% of the outstanding voting rights of the Company.

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	(658,245)	13.04	(1,495,604)	21.50
Expired	(163,800)	26.18	(200,225)	15.85
Canceled	–	–	(542,000)	25.44
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. In December 2011, the members of the Management Board and Supervisory Board returned 542,000 options granted in the years 2007, 2008 and 2009 to the Company.

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

		Number of options at December 31,	
Expiry date	Exercise price in EUR per share	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	21.16–26.99	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
		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:

	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

21 Other reserves

EUR in thousands	Available-for-sale investments	Currency translation	Revaluation from business combinations	Convertible Note	Total
Balance at January 1, 2011	**(3,400)**	**21,687**	**5,974**	**–**	**24,262**
Fair value gains on available-for-sale financial assets	1,316	–	–	–	1,316
Currency translation differences	–	(1,934)	–	–	(1,934)
Option premium on convertible note	–	–	–	35	35
BALANCE AT DECEMBER 31, 2011	**(2,084)**	**19,753**	**5,974**	**35**	**23,678**
Balance at January 1, 2012	**(2,084)**	**19,753**	**5,974**	**35**	**23,678**
Fair value gains on available-for-sale financial assets	1,263	–	–	–	1,263
Currency translation differences	–	509	–	–	509
BALANCE AT DECEMBER 31, 2012	**(822)**	**20,262**	**5,974**	**35**	**25,450**

22 Post-employment benefit obligations

As required under Austrian labor law, the Company makes contributions to a multi-employer, defined contribution plan (Mitarbeitervorsorgekasse). Monthly contributions to this plan are recognized in the period incurred. Monthly contributions to the scheme amount to 1.53% of the salary of each respective employee. In the years ended December 31, 2012 and 2011, contribution costs amounted to EUR 129 thousand and EUR 137 thousand, respectively.

23 Trade and other payables and accruals

Trade and other payables and accruals include the following:

EUR in thousands	*At December 31,*	
	2012	*2011*
Trade payables	2,457	4,643
Accrued expenses	8,919	8,847
Social security and other tax payables	825	807
Other payables	1,339	568
	13,540	**14,865**
Less non-current portion	–	(152)
CURRENT PORTION	**13,540**	**14,712**

24 Deferred income

EUR in thousands	*At December 31,*	
	2012	*2011*
Arising from collaboration and licensing agreements	15,081	17,926
Arising from government grants	211	495
	15,292	**18,421**
Less non-current portion	(12,336)	(15,083)
CURRENT PORTION	**2,955**	**3,337**

25 Borrowings

Borrowings of the Company at year-end include the following:

EUR in thousands	*At December 31,*	
	2012	*2011*
Non-current		
Bank borrowings	3,973	3,812
Convertible bond	2,653	13,994
Other loans	19,737	–
Finance lease liabilities	31,036	32,298
	57,400	**50,105**
Current		
Bank borrowings	338	–
Convertible bond	12,428	12,408
Other loans	429	131
Finance lease liabilities	1,229	1,303
	14,423	**13,842**
TOTAL BORROWINGS	**71,823**	**63,946**

The maturity of non-current borrowings is as follows:

EUR in thousands	*At December 31,*	
	2012	*2011*
Between 1 and 2 years	5,483	13,516
Between 2 and 3 years	6,709	4,661
Between 3 and 4 years	8,007	1,301
Between 4 and 5 years	8,015	1,320
Over 5 years	29,185	29,307
NON-CURRENT BORROWINGS	**57,400**	**50,105**

The carrying amounts of the Company's borrowings are denominated in the following currencies:

EUR in thousands	*At December 31,*	
	2012	*2011*
EUR	71,823	63,816
USD	–	131
TOTAL BORROWINGS	**71,823**	**63,946**

25.1 FINANCE LEASE LIABILITIES

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

25.2 BANK BORROWINGS SECURED

In 2012, EUR 4,311 thousand (2011: EUR 3,812 thousand) of the outstanding loans are guaranteed by Austrian governmental organizations.

The following table presents the fair value of guaranteed borrowings without taking the interest subsidy into consideration, based on an estimated arms' length interest rate of 10.83% at year-end 2012 (2011: 2.17%):

EUR in thousands	*Carrying amounts at December 31,*		*Fair values at December 31,*	
	2012	*2011*	*2012*	*2011*
Bank borrowings	4,311	3,812	3,471	3,768
GUARANTEED BORROWINGS	**4,311**	**3,812**	**3,471**	**3,768**

For all other borrowings the carrying amounts equal their fair values.

25.3 CONVERTIBLE NOTE

On February 23, 2011 the Company announced the placement of Senior Unsecured Convertible Notes (hereafter referred to as "Notes") with a par value of EUR 33.0 million in a private placement transaction, of which EUR 15.2 million were still outstanding on December 31, 2012. 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 have had three components, a liability component, an equity component and an increase option, which results from the original investors' right to purchase additional Notes. This increase option was not exercised and therefore expired in March and September 2012, respectively. The liability component is included in the balance sheet item "borrowings", the equity component is included in the balance sheet item "other reserves".

EUR in thousands	*Liability component*	*Equity component*	*Increase option*	*Total*
Proceeds of issue	31,340	35	1,625	33,000
Transaction costs	(554)	(1)	(29)	(583)
Net proceeds of issue	30,786	35	1,596	32,417
Valuation change 2011	1,416	–	(1,596)	(180)
Repayment 2011	(5,800)	–	–	(5,800)
VALUE AT DECEMBER 31, 2011	**26,402**	**35**	**–**	**26,437**
Valuation change 2012	679	–	–	679
Repayment 2012	(12,000)	–	–	(12,000)
VALUE AT DECEMBER 31, 2012	**15,081**	**35**	**–**	**15,116**
Less non-current portion	(2,653)			
Current portion	12,428			

25.4 OTHER LOANS

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 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 variable interest rate and the royalty payable in connection with the loan are both recognized as finance expenses. The finance expense is calculated using the effective interest method and is therefore recognized pro rata to the outstanding principal in each accounting period until the loan is fully amortized. 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. At December 31, 2012 the book values of the assets pledged amounted to EUR 21,865 thousand. Cash and cash equivalents include balances of EUR 1,300 thousand which have to be held by Intercell Biomedical, Ltd. due to financial covenants relating to the Term Loan.

The Term Loan is included in the balance sheet item "borrowings".

EUR in thousands	*Term Loan*
Proceeds of issue	20,000
Transaction costs	(287)
Net proceeds of issue	19,713
Accrued interest and royalty expense	453
VALUE AT DECEMBER 31, 2012	**20,166**
Less non-current portion	(19,737)
Current portion	429

26 Provisions

EUR in thousands	At December 31,	
	2012	2011
Non-current	–	–
Current	75	2,389
PROVISIONS	**75**	**2,389**

EUR in thousands	Legal obligations	Re-structuring	Total
Balance at January 1, 2011	**–**	**6,071**	**6,071**
Charged to the income statement:			
» Additional provision	1,031	1,594	2,625
» Reversed provision	–	(2,705)	(2,705)
Used provisions	–	(3,763)	(3,763)
Exchange differences	–	160	160
BALANCE AT DECEMBER 31, 2011	**1,031**	**1,358**	**2,389**
Balance at January 1, 2012	**1,031**	**1,358**	**2,389**
Charged to the income statement:			
» Additional provision	–	–	–
» Reversed provision	(422)	(42)	(465)
Used provisions	(553)	(1,271)	(1,823)
Exchange differences	–	(26)	(26)
BALANCE AT DECEMBER 31, 2012	**57**	**18**	**75**

The balance at December 31, 2012 is expected to be utilized in the first half of 2013.

26.1 RE-STRUCTURING

Provisions include a re-structuring provision, which was first recognized in December 2010 when the Company developed and announced the main features of an ongoing re-structuring and cost saving program. During the implementation of the program, the Company reviews the items included in the provision, such as cost related to the reduction of the workforce, remnant clinical study costs, and costs related to the site consolidation. For more details see **» NOTE 8**.

26.2 LEGAL OBLIGATIONS

The amount represents a provision for investigations, following a batch-specific, voluntary recall of IXIARO® in May 2011, the Company has completed a comprehensive investigation and root cause analysis in order to reduce the risk for future potential recalls, regulatory actions or batch-specific measures. These activities as well as other relevant measures and clinical implications are overseen and governed by the EMA (European Medicines Agency) under a procedure in accordance with Article 20 of the Commission Regulation (EC) 726/2004. The provision charge is recognized in profit or loss within cost of goods sold and research and development expenses.

27 Cash used in operations

The following table shows the adjustments to reconcile net loss to net cash used in operations:

EUR in thousands	note	Year ended December 31, 2012	2011
Loss for the year		(25,337)	(29,265)
Adjustments for			
» Depreciation and amortization	12/13	7,228	7,519
» Impairment fixed assets/intangibles	12/13	–	4,435
» Share-based payments	20	(257)	1,157
» Income tax	10	476	(44)
» (Profit)/Loss from disposal of property, plant and equipment		(239)	53
» Other non-cash income/expense		–	568
» Fair value gains on derivative financial instruments	25	–	(1,596)
» Loss on disposal of available-for-sale financial assets	15	798	597
» Interest income	9	(462)	(999)
» Interest expense	9	4,881	3,125
» Changes in other long-term assets and liabilities		(2,717)	(1,636)
Changes in working capital (excluding the effects of acquisition and exchange rate differences on consolidation):			
» Inventory		2,464	(2,677)
» Trade and other receivables		(2,161)	(2,114)
» Trade and other payables		(358)	(16,486)
» Provisions		(2,290)	(3,609)
CASH USED IN OPERATIONS		**(17,973)**	**(40,973)**

The following table shows the adjustments to reconcile net profit/loss from the disposal of property, plant and equipment to proceeds from the disposal of property, plant and equipment:

EUR in thousands	2012	2011
Net book value	658	82
Profit/(Loss) on disposal of property, plant and equipment	239	(53)
PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	**896**	**29**

28 Collaboration and license agreements

The Company has entered into various agreements with industrial partners and agencies under which it receives or grants certain rights on vaccine technologies, product candidates, and intellectual property. The terms of these agreements include milestone payments, which are contingent on the achievement of certain developmental milestones by the party receiving such rights, as well as royalty payments, which are contingent on the sales of products derived through use of such rights.

28.1 IN-LICENSE AGREEMENTS

In June 1998, the Company entered into an agreement with Boehringer Ingelheim International GmbH (BII). Pursuant to this agreement, the Company obtained the right to use the TransVax technology in the research and development of its products for laboratory, pharmaceutical, and diagnostic use. In April 2003, the parties signed a license agreement giving the Company commercialization rights for products based on the TransVax technology for a broad range of disease areas. In return, the Company has granted BII royalties on future net product sales. The TransVax technology is relevant for the Company's therapeutic Hepatitis C vaccine. In 2012, the Company decided not to pursue further development of its Hepatitis C product candidate.

In April 2003, the Company entered into a set of agreements with VaccGen International, LLC ("VaccGen") for acquiring a vaccine project targeting Japanese Encephalitis virus infections. Under the terms of these agreements, the Company has obtained an exclusive license and certain documents and materials, which as a whole has allowed it to further develop the product and to market it after successful completion of the development process and after regulatory approval. VaccGen received milestone payments and is entitled to receive royalty payments on product sales.

In September 2003, the Company obtained a worldwide exclusive license from the National Institutes of Health (NIH) and the U.S. Centers for Disease Control and Prevention (CDC), agencies within the U.S. Department of Health and Human Services, for certain intellectual property rights relevant for the Company's therapeutic vaccine to treat Hepatitis C. The Company is subject to annual license and milestone payments as well as royalties on net sales upon commercialization. Recently, the Company has terminated this license due to its decision to not pursue further development of its Hepatitis C product candidate.

In November 2004, the Company obtained a worldwide non-exclusive license from Sanofi for certain intellectual property rights related to the Company's Japanese Encephalitis vaccine. The Company is not required to pay any milestone payments in connection with this license, but the Company is required to pay royalties on net sales of the vaccine in certain countries.

The Company is a party to an exclusive license agreement with Novartis, entered into in November 2005. Pursuant to this agreement, the Company gained access to an exclusive license on certain intellectual property rights with respect to a vaccine candidate for the prevention of Pseudomonas aeruginosa infections. The Company is subject to milestone payments and royalties on future net sales upon commercialization.

In June 2007, the Company obtained a worldwide exclusive license from the U.S. Centers for Disease Control and Prevention (CDC), an agency within the U.S. Department of Health and Human Services, for certain intellectual property rights relevant for the Company's Streptococcus pneumoniae vaccine. The Company is subject to annual minimum royalties, benchmark royalties, and royalties on net sales upon commercialization. The Company terminated the license agreement with CDC in 2012 and discontinued development of its own vaccine candidate.

In May 2008, the Company obtained a worldwide exclusive license from Zovec AB for certain intellectual property rights relevant for the Company's Borrelia vaccine. The Company is subject to annual license and milestone payments. In addition, royalties on revenues and royalties on net sales will be payable by the Company upon commercialization.

Through its wholly owned subsidiary Intercell USA, Inc., which was acquired in August 2008, the Company gained access to a worldwide exclusive license for certain intellectual property rights relevant for the Company's Patch Technology, which had been obtained from the Walter Reed Army Institute of Research (WRAIR) in April 2001. The Company is subject to annual license and milestone payments. In addition, royalties on revenues and royalties on net sales will be payable by the Company upon commercialization.

In March 2009, the Company concluded an Assignment Agreement with the University of Ulm for an invention (and related patent applications) covering several GBS antigens. The Company has to pay royalty fees on net sales upon commercialization of a product.

In April 2009, the Company entered into a conditional intellectual property assignment from Tech-Lab Therapeutics LLC for specific intellectual property rights relevant for the Company's C. difficile vaccine. The Company is subject to certain milestone payments and deferred payments of gross sales upon commercialization.

In June 2009, the Company entered into a license agreement with Dow for expression of LT in their Pseudomonas-based expression system Pfenex.

In December 2009, the Company entered into a Research and Development Agreement, as well as a Product License Agreement, with Novartis Vaccines and Diagnostics, Inc., relating to the Company's efforts to develop a therapeutic vaccine candidate against Hepatitis C. The Company is subject to annual license and milestone payments as well as royalties on net sales upon commercialization. The Company decided in 2012 to terminate those agreements with Novartis and not to pursue further development of such therapeutic vaccine candidate.

Total license and milestone payments made in 2012 amounted to EUR 915 thousand (2011: EUR 1,138 thousand), of which EUR 243 thousand (2011: EUR 323 thousand) have been capitalized as intangible assets. Future royalty obligations that are contingent upon future product sales are not quantifiable due to uncertainty over future product sales.

28.2 OUT-LICENSE AGREEMENTS

In December 2003, the Company entered into a collaboration and licensing agreement with Sanofi under which it has identified relevant antigens for use in a bacterial vaccine. In June 2005, Sanofi exercised its option to acquire a worldwide exclusive license from the Company with respect to the intellectual property rights in the specific field of this collaboration. The Company is entitled to receive license fees, research and development funding, milestone payments, and royalty payments on product sales. The agreement was terminated in January 2012.

In February 2004, the Company entered into a commercial license agreement with the Statens Serum Institut (SSI) for the development of a new prophylactic Tuberculosis vaccine. The vaccine combines recombinant Tuberculosis antigens developed by SSI with the Company's synthetic Immunizer IC31® as an adjuvant. The Company has the right to receive up-front and milestone payments as well as a substantial share in the profits on future product commercialization.

In May 2004, the Company signed a worldwide exclusive commercial license agreement with Merck & Co., Inc. (Merck & Co.), allowing Merck & Co. to develop a bacterial vaccine against Staphylococcus aureus infections and granting Merck & Co. an option to develop antibody products. This option was exercised in May 2006. The Company will, upon successful completion of certain development milestones by Merck & Co., receive further license payments and has the right to royalty payments on future product sales.

In March 2006, the Company entered into a collaboration agreement with Kirin Brewery Co., Ltd., now Kyowa Hakko Kirin Co., Ltd., to develop human monoclonal antibodies against severe infections caused by Streptococcus pneumoniae. The agreement has been amended in October 2010 and over the term of the agreement Intercell is entitled to receive royalties on future net sales of the product.

In August 2006, the Company entered into an agreement with PATH (Program for Appropriate Technology in Health), a non-profit organization, for the development of a vaccine candidate against Pneumococcal infection under which PATH is co-financing the development. After a certain progress is made, the parties will negotiate in good faith a commercialization agreement for the manufacture, supply and sale of a Pneumococcal Protein Vaccine to the public sector in certain developing countries. The Company terminated the agreement with PATH in 2012 and discontinued development of its own vaccine candidate.

In July 2007, the Company entered into a major strategic partnership with Novartis Pharma AG, an affiliate of Novartis AG (Novartis), to accelerate innovation in vaccine development in infectious diseases. The terms of the agreement include the grant of an exclusive license by the Company for the use of its adjuvant IC31® in Influenza vaccines and Meningitis vaccines. In addition, Novartis was granted option rights for further licenses on IC31® and a broad range of un-partnered vaccine candidates on fixed terms and conditions. In consideration, the Company received up-front license and option fees of EUR 120m and is entitled to substantial further payments upon achievement of certain development milestones as well as royalties on future product sales or to a share of the profits. In addition, Novartis purchased 4.8 million new shares of the Company at an issue price of EUR 31.25 per share and holds 14.9% of the Company's share capital.

In March 2011, the Strategic Alliance Agreement with Novartis was amended to reflect the collaboration of both parties in developing a vaccine candidate against Pseudomonas infection. Currently, the Company conducts a clinical confirmatory efficacy study, which is co-financed by Novartis. Novartis maintains its option rights on the program, and the Company may then choose either a profit-sharing or a milestone and royalties compensation.

In December 2009, Intercell entered into a strategic alliance agreement with GlaxoSmithKline (GSK) to accelerate the development and commercialization of needle-free, patch-based vaccines. This agreement was terminated by mutual agreement in June 2012. In addition, in December 2009, GSK subscribed to an equity investment by separate agreement. Under a Clinical Trial Agreement entered into in November 2010, the Company announced Phase I results on its Vaccine Enhancement Patch with Pandemic Influenza antigens supplied by GSK in September 2012, indicating the intended level of increased immune response was not achieved, and expects to submit a final study report in early 2013. The Clinical Trial Agreement terminates upon completion of the clinical trial.

In May 2010, the Company entered into a strategic partnership with Boehringer Ingelheim Vetmedica GmbH (Boehringer Vetmed) to develop animal vaccines. The Company entered into a worldwide option and exclusive license agreement under which Boehringer Vetmed has the right to use certain antigens derived from the Company's AIP® to develop animal vaccines. Under the agreement, the Company will receive up-front, option and milestone payments as well as royalties on product net sales.

28.3 OTHER COLLABORATIONS

In December 2006, the Company agreed to enter into a marketing and distribution partnership for its Japanese Encephalitis vaccine in the USA, Europe, and certain other markets in Asia and Latin America with Novartis Vaccines and Diagnostics, Inc., an affiliate of Novartis AG (Novartis). Under the terms of this agreement, Intercell is responsible for the development and manufacturing of the vaccine and will sell the vaccine to Novartis at a transfer price, which is based on the net sales of the vaccine less a certain distribution margin. Novartis is responsible for the marketing and distribution of the vaccine at its own cost. In addition, the Company received further milestone payments after regulatory approvals of the vaccine in the USA and the European Union. In March 2011, the Marketing and Distribution Agreement was amended to allow the Company certain rights to promote the product in the United States at its own cost, with a modified transfer price for the sales generated.

In addition, the Company has entered into marketing and distribution alliances with CSL Ltd. for Australia, New Zealand, Papua New Guinea, and certain Pacific islands, and with Biological E Limited for India, Pakistan, Nepal, and Bhutan.

In October 2010, the Company entered into a strategic partnership with Romark Laboratories L.C. (Romark) where the Company designed a treatment that combines the Company's investigational Hepatitis C vaccine, IC41, with Romark's antiviral drug, nitazoxanide. However, in the absence of timely receipt of regulatory clearance for study initiation, Intercell and Romark will not proceed with the planned clinical trial to investigate a combination therapy of vaccine and antiviral against Hepatitis C.

The Company has also entered into a number of material transfer agreements with pharmaceutical and biotechnology companies pursuant to which it makes certain of its proprietary technologies available for evaluation for the development of novel vaccines without granting any commercial rights.

29 Commitments and Contingencies

a. *Capital commitments*

There were no capital expenditure contracted for at December 31, 2011, and December 31, 2012.

b. *Operating lease commitments*

Future aggregate minimum lease commitments under non-cancelable operating leases are as follows:

EUR in thousands	*At December 31,*	
	2012	***2011***
Not later than 1 year	45	53
Later than 1 year and not later than 5 years	35	57
Later than 5 years	–	–
OPERATING LEASE COMMITMENTS	**80**	**110**

In addition, the Company leases parking space, employee living accommodations, cars, and equipment under cancelable operating lease agreements. These leases have varying termination clauses.

c. *Other contingencies*

Other contingencies as of December 31, 2012 amounted to EUR 3,448 thousand (2011: EUR 5,126 thousand) and result from contractual arrangements with members of the Management Board and key employees, entitling them to a one-off payment in certain cases of termination of their employment relationship with the Company.

30 Related-party transactions

The following transactions were carried out with related parties:

30.1 PURCHASES OF SERVICES

EUR in thousands	*Year ended December 31,*	
	2012	***2011***
Purchases of services:		
» Members of the Supervisory Board	111	70
PURCHASES OF SERVICES	**111**	**70**

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

Alexander von Gabain furthermore 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.

30.2 KEY MANAGEMENT COMPENSATION

The aggregate compensation of the members of the Company's Management Board includes the following:

EUR in thousands	*Year ended December 31,*	
	2012	***2011***
Salaries and other short-term employee benefits	1,433	1,766
Other long-term benefits	28	41
Share-based payments (stock compensation expense/income)	59	(375)
KEY MANAGEMENT COMPENSATION	**1,520**	**1,432**

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 2,240 thousand (2011: EUR 3,835 thousand).

In May 2011, Gerd Zettlmeissl, and in April 2012, Mustapha Leavenworth Bakali, both members of the Management Board, resigned. Therefore, their outstanding stock options were forfeited.

30.3 SUPERVISORY BOARD COMPENSATION

The aggregate compensation of the members of the Company's Supervisory Board amounted to EUR 348 thousand (2011: EUR 359 thousand).

31 Events after the reporting period

On December 16, 2012, Intercell AG und Vivalis SA announced the proposed merger of equals between the two companies to create Valneva SE, headquartered in Lyon, France. On February 27, 2013 and on March 7, 2013 the shareholders of Intercell AG and Vivalis SA, respectively, have approved the proposed merger. The Company expects the merger to close in May 2013. The merger of the two companies will happen in two legal steps. In the first step, Intercell AG will demerge its business operations (including the shares of its subsidiaries) into Intercell Austria AG, which has been founded in December 2012. In the second step, Intercell AG will merge with Vivalis SA which will, at the same time, transform into an SE (European Company) and change its name to Valneva. 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. 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 United States of America or in Europe.

In the course of the merger, the Company has decided to divest its eMAB technology into a new subsidiary called Elatos GmbH which was founded in January 2013.

Vienna, March 11, 2013

The Management Board

THOMAS LINGELBACH, CEO

REINHARD KANDERA, CFO

Declaration by the Management Board

DECLARATION BY THE MANAGEMENT BOARD PURSUANT TO SECTION 82 (4) OF THE AUSTRIAN STOCK EXCHANGE ACT

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the International Financial Reporting Standards, as adopted by the EU, and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

Vienna, March 11, 2013

The Management Board

THOMAS LINGELBACH, CEO

REINHARD KANDERA, CFO

The Consolidated 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 245a and 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.

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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

[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:
Thomas Lingelbach, CEO

signed:
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

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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.