

**Report of the management board
of INTERCELL AG
(FN 166438m)
pursuant to sect 171 para 1 and sect 153 para 4 Austrian stock corporations Act
(Aktiengesetz; AktG)**

1. General

- 1.1 In the ordinary stockholders' meeting dated 15 June 2007, the management board of INTERCELL AG (in the following the "Company") have been empowered pursuant to sect 169 AktG, with the approval of the supervisory board to increase the registered capital of the Company until 15 June 2012 by up to EUR 10,000,000 by way of issuing up to 10,000,000 new no-par value bearer shares, in one or several tranches, to up to EUR 49,881,712.00 for cash or contribution in kind with or without excluding the stockholders' subscription rights, whereby the terms of issue, in particular the issue price, the subject of the contribution in kind, the share rights, the exclusion of subscription rights as well as a potential issue of shares by means of indirect subscription pursuant to sect 153 para 3 AktG shall be set forth by the management board with the approval of the supervisory board.
- 1.2 The resolution of the stockholders' meeting was registered with the Companies Register on 30 June 2007 and is effective since that time. Since then the management board exercised their authority several times, to the end that the registered capital of the Company may be increased by way of the empowerment dated 15 June 2007 (authorized capital 2007) by up to EUR 2,674,456.00 by issuance of up to 2,674,456 new no-par value bearer shares (see Clause 4.6 of the articles of incorporation of the Company).

2. Resolution of the management board

- 2.1 In partial exercise of their authority, on 12 December 2009 the management board has – subject to the approval of the supervisory board – resolved to increase the registered capital of the Company from currently EUR 47,580,486.00 by EUR 900,000.00 to EUR 48,480,486.00 by issue of 900,000 new no-par value bearer shares of the category common stock having a *pro rata* share in the registered capital of EUR 1.00 per share and the entitlement to profits since 1 January 2009. For the sake of clarity it is stated that the stated capital of the Company as currently registered with the Register of Companies amounts to EUR 47,234,603.00 (as of 10 December 2009); taking into account the capital increases performed in 2009 from contingent capital in total of EUR 345,883.00 (by issue of 345,883 shares for the provision of stock options), the actual capital of the Company amounts to EUR 47,580,486.00.
- 2.2 The stockholders' subscription right were excluded. The right to participate in the capital increase has been limited exclusively to GlaxoSmithKline Biologicals SA, rue de l'institut 89, 1330 Rixensart, Belgien, registered in the Legal Entity Register (ROM Nivelles) under No 0440.872.918 (in the following "GSK").
- 2.3 The issue price per new share amounts to EUR 31.12 per new share and shall be paid in full and in cash.

3. Exclusion of subscription rights against cash contribution

- 3.1 The management board stated in its report to the ordinary general shareholders' meeting on 15 June 2007 as a ground for the authorization to exclude the subscription rights that, inter alia, the Company should be enabled to enter into strategic partnerships and cooperation with pharmaceutical and biotechnology companies, including a shareholding of such parties in the Company. This is exactly the case:
- 3.2 INTERCELL AG and GSK entered into a strategic partnership. The strategic partnership comprises the cooperation in the fields of vaccine patches. INTERCELL AG respectively its subsidiary Intercell USA Inc. has two vaccines in an advanced stage of development which are not injected but applied by a patch. This new technology could be used for other vaccines too and constitutes an absolute innovation in the fields of vaccination. INTERCELL AG does not have a marketing and distribution organisation to introduce these new vaccines onto the market. Due to its novelty the costs of a market entry of such products would likely be higher. GSK is one of the three largest vaccine producers in the world and offers a broad range of vaccines which are sold on the market and numerous vaccines in a development phase to which the vaccination patch technology could be applied. Further, GSK has a worldwide distribution network for drugs and vaccines and, consequently, the capability to successfully introduce a technologically new vaccine on the market. The partnership includes a formula for distributing the profits of newly developed products which is attractive for INTERCELL AG. Within the framework of the partnership GSK is required to contribute to the further development of patch vaccines by paying an upfront fee of EUR 33.6 million and making additional significant short and long-term milestone payments. In case the vaccine patch technology is applied to new products, additional milestone and revenue-based licence payments become due. Therefore, it is in the interest of INTERCELL AG to enter into the strategic partnership. Another part of the abovementioned strategic partnership is the shareholding of GSK in INTERCELL AG. It is intended that GSK obtains a shareholding in INTERCELL AG of 5% in two steps; at first shares representing 1.8% of the share capital will be acquired. The present capital increase is executed for this purpose. At a later point of time the shareholding will be increased by 3.2% to a total of 5%. The shareholding constitutes an inseparably part of the strategic partnership. This report solely addresses the acquisition of an interest of 1.8%.
- 3.3 This strategic shareholding of GSK is in the interest of the Company because GSK, a worldwide leading pharmaceutical company, offers INTERCELL AG besides cash benefits a partnership as to development and marketing of products based on the vaccine patch technology securing a return on investment for INTERCELL AG of this technology. The cooperation with GSK offers a unique opportunity for the Company to further realize the aspired growth targets.
- 3.4 It is of particular importance for a biotechnology company at a development stage such as INTERCELL AG with substantial expenditures for research and development and a still highly volatile development of sales, to have a sound financial basis to be able to react flexibly and independently from the respective situation at the financial markets to strategic challenges. The partnership with GSK would effectively improve the financial situation of the company due to the upfront and milestone payments and, in particular, the

contribution of capital. It would be impossible for INTERCELL AG to raise debt capital in the same extent due to the current general financial- and economic situation and the stage of development of the company. In addition, (new) debt capital would limit the flexibility of INTERCELL AG; granting collaterals which is customary for debt financing would, in particular, limit the options of INTERCELL AG. Further, debt capital financing would have a negative impact on the equity ratio of INTERCELL AG. As GSK is not a mere financial investor but a strategic partner interested in subscribing to shares of INTERCELL AG thereby contributing equity to INTERCELL AG, INTERCELL AG has to secure this financing opportunity in the interest of the Company as quickly as possible.

- 3.5 Therefore, the exclusion of subscription rights is suitable to achieve such objectives and is the least invasive measure because the shareholding of GSK in INTERCELL AG is an integral part of the strategic partnership, raising comparable financial resources by debt instruments would be impossible for INTERCELL AG and a capital increase without exclusion of subscription rights would be a long and costly process, and, in addition, it would remain uncertain whether enough shareholders would abstain from exercising their subscription rights to ensure delivery of the required number of shares to GSK. Therefore, it is necessary and appropriate to execute the capital increase from authorized capital against cash contribution thereby excluding the subscription rights.
- 3.6 In addition, the capital increase excluding the subscription rights is proportionate because the interests of the shareholders are not disproportionately affected in by the capital increase of about 1.8% as, to the knowledge of the Company, no shareholder holds a "sensitive" interest (for instance 5%, 10% or 25%) which would be altered or created by this capital increase, and that no majority interest of GSK is created. No material threat of dilution of the shareholder' rights exists with respect to the exclusion of the subscription rights. The shares of the Company are highly liquid. On average about 160.000 shares are traded per day at the Vienna Stock Exchange. Shareholders may easily purchase all shares necessary for compensating a *pro rata* dilution of their shareholding. In addition, the issue price of EUR 31.21 per share ensures that the shares are issued to GSK at a price which exceeds the current market price of EUR 26.45 (closing price at the Vienna Stock Exchange on 9 December 2009) by 18.00% and does not fall short of such price, so that the shareholders do not sustain a financial loss in this respect.
- 3.7 The issue price of EUR 31.21 per share is in any case adequate because, as mentioned under section 3.6, it exceeds the current market price of EUR 26.45 (closing price at the Vienna Stock Exchange on 9 December 2009) by 18.00% as well as the highest market price during the last 52 weeks prior to the passing of the resolution of EUR 29.28. Therefore, the exclusion of the subscription right is in this respect justified.
- 3.8 Equal treatment is ensured as stated above, in particular, due to the strong interest of the Company in the cooperation with GSK and the expectation of a positive development of the Company.
- 3.9 Kindly note that the supervisory board has to approve the resolution of the management board dated 10 December 2009, in particular the exclusion of the shareholders' subscription rights, pursuant to the authorization by the general shareholder meeting dated 15 June 2007. The supervisory board already agreed in principle with the parameters of the capital

increase as resolved by the management board on 10 December 2009. The supervisory board is expected to pass the final resolution, in particular on the exclusion of the shareholders' subscription rights, in compliance with the two weeks period upon publication of this report pursuant to sect 171 para 1 AktG on 28 December 2008.

Vienna, December 2009

Management Board of INTERCELL AG