Tripep AB (publ)—Interim Report, January - September 2004

- Loss after tax SEK –19.2 million (SEK –17.2 m).
  Research and development costs were SEK 9.5 million (SEK 9.5 m).
  The company has no net sales.
  Earnings per share: SEK -1.54 (SEK -1.30).
- Tripep's anti-HIV drug alphaHGA has now completed the safety and toxicology trials necessary for filing an application to conduct phase I/II clinical trials on humans.
- Formulation work, i.e. preparing tablets/ampoules from alphaHGA has been procured from Malmoe-based enterprise Galenica AB.
- Tripep has signed an agreement with CRO (contract research organisation) Stricent AB for consulting services related to the preparation of a filing package for regulators in Thailand ahead of planned phase I/II trials on HIV patients, and for monitoring the trial.
- Tripep has adopted a resolution to carry out a private placement raising SEK 21.25 m excluding issue costs in collaboration with its corporate adviser, Irish securities institution NCB. This transaction will be carried out through an issue of 1.4 million shares, and a sale of 1.1 million treasury shares. The shares are sold at a price of SEK 8.50 per share, corresponding to Tripep's average quoted share price in the week preceding the decision.
- The Board of Directors has resolved not to complete a parallel listing of the company on the London Stock Exchange AIM-list at present.

For more information, please contact
Anders Vahlne, Chief Executive Officer & Head of Research
Tel: +46 (0)8 585 81313, mobile: +46 (0)70 928 0528
e-mail: anders.vahlne@labmed.ki.se

Tripep is a biotech research company that develops and commercialises candidate drugs based on patented technologies:

- *clinical development of a HIV-inhibiting drug,*
- *preclinical research focusing on the development of therapeutic and prophylactic vaccines against HIV and hepatitis C,*
- *the RAS™ and Ribacine technology platforms, and*
- *a general influenza vaccine in a joint participation with VLP Biotech Inc.*

More details on Tripep's technologies are available at its Website: www.tripep.se

Operations

alphaHGA, Tripep's New HIV-inhibiting Substance

Tripep's new anti-HIV CD (candidate drug) alphaHGA entered its clinical development phase during the second quarter of the year, when it was administered to humans for the first time. The purpose of this trial was to study alphaHGA's ADME (Absorption from the digestive tract, Distribution, Metabolism and Excretion). This trial was conducted as a microdosage study by UK CRO (contract research organisation) Pharmaceutical Profiles Ltd., in Nottingham, utilising a new technology termed acceleration mass spectrometry. This trial demonstrated that almost 100% of the alphaHGA was absorbed into the blood from the digestive tract. The terminal half-life was approximately 10 hours. The results are considered very positive, indicating that alphaHGA could be administered orally with a twice-daily dose. Safety and toxicity trials proceeded in the period. Results were received from these trials after the end of the period, with more information under the 'Significant Events after the End of the Period' heading below.

ChronVac-C™—Therapeutic Hepatitis C Vaccine

Clinical development of ChronVac-C™ has been delayed due to Tripep's focus shifting to the clinical development of alphaHGA. Research and development on ChronVac-C™ is continuing with extended in vivo trials to demonstrate that the immunoresponse triggered by the vaccine can migrate to the liver, neutralising cells that produce the hepatitis C virus protein. The results from these trials will be published when fully complete. Further patents related to ChronVac-C™ are pending.

CarryVac-HIV 1

Work on an HIV vaccine based on Tripep's previously patented amino acid sequences and carrier technology licensed from the Vaccine Research Institute of San Diego (VRISD) is progressing in collaboration with VRISD.

Ribacine

Ribacine is the usage of ribavirine as a vaccine adjuvant, i.e. it may enhance the immune response to virus antigens. Efforts are focused on evaluating Ribacine technology alongside Tripep's proprietary vaccines.

RAS™, Redirecting Antibody Specificity

Staff-RAS™ and **HIV-RAS™**. Staphylococcus aureus research into Tripep's unique therapeutic approach against antibiotic-resistant yellow staphylococci that cause nosocomial infections continues. RAS™ molecules operate as adapters that redirect existing antibodies in the blood to neutralise nosocomial bacteria. Molecules comprising HIV-binding peptides coupled to Gal-alpha1,3-Gal have been produced and are now being tested for neutralising HIV.

Jointly Owned Company

VLP Biotech Inc. of San Diego, the biotech enterprise jointly owned (30%) by Tripep, continued its activities according to plan. This entity's operations focus on the development of a universal anti-influenza A virus vaccine. The first version of a universal influenza A vaccine is now being tested in mice, studying protection against infection. Results from this trial will be published as soon as it is fully concluded.

Work on vaccines against Alzheimer's disease, and for treating allergies, continues. The company is utilising a unique platform technology based on virus-like particles (VLP), developed by the Vaccine Research Institute of San Diego (VRISD). Tripep's scientific

contribution to the jointly owned company is to participate in the production and development of the vaccine structures that will be incorporated in VLP Biotech's vaccine platform.

Private Placement

The Board of Directors of Tripep AB (publ) has, by virtue of authorisation from the annual general meeting, adopted a resolution to carry out a private placement through which Tripep will raise approx SEK 21.25 million excluding issue costs. The transaction will be carried out through an issue of 1.4 million new shares and a sale of 1.1 million treasury shares. The shares are sold at a price of SEK 8.50 per share, equal to the average market price of shares in Tripep during the week preceding the resolution.

In consultation with its financial advisor, the Irish stockbroker firm NCB, Tripep will place the shares with a restricted circle of private investors. A company controlled by Tripep's chairman Rolf L. Nordström will guarantee the transaction in full in order to secure its successful accomplishment.

The presently resolved financing reduces the need to obtain a secondary listing on the Alternative Investment Market (AIM) at the London Stock Exchange and the board of directors of Tripep has therefore resolved to shelve the plans on a secondary listing for the time being.

Patents

Tripep's strategy is to create patent protection in those global regions significant to the company, i.e. North America, Europe and Asia.

The active patent portfolio encompasses 39 approved patents and 34 patents pending.

Employees

The company had 14 employees at the end of the period.

Profit/loss

The loss after financial items for the third quarter amounted to SEK -5.3 (-5.3) m, and to SEK -19.2 (-17.2) m for the first nine months of 2004.

The company does not have any net sales; SEK 0.1 m posted under other operating income comprises EU subsidies received.

Operating costs were SEK 5.5 (5.3) m for the third quarter and SEK 19.9 (18.8) m for the first nine months of 2004.

	Jul-Sep		Jan-Sep	
	2004	(2003)	2004	(2003)
Research and development costs, SEK m	2.6	(2.9)	9.5	(9.5)
Of which ext'n'l researchers & subcontractors, SEK m	2.0	(2.6)	8.1	(8.4)

Intangible Assets

During the second quarter 2004, the alphaHGA project entered its clinical development phase, expenditure arising on this project in the second and third quarters (SEK 12.1 m) has been capitalised.

Investments

	Jul-Sep		Jan-Sep	
	2004	(2003)	2004	(2003)
Net investments in equipment, SEK m	0.0	(0.0)	0.2	(0.0)

Financial Position

The company's liquid assets, including short-term investments, amounted to SEK 16.1 m as of 30 September 2004.

The market value of short-term investments in fixed-income funds totalled SEK 14.2 m as of 30 September 2004.

Shareholders' equity totalled SEK 29.3 m as of 30 September 2004. The company's share capital is SEK 2,770,000, divided between 13,850,000 shares, each with a nominal value of SEK 0.20, of which 1,356,345 shares are in the company's ownership after a consummated buy-back.

Current, non interest-bearing liabilities stood at SEK 4.7 m as of 30 September 2004.

Authorisation Regarding Re-purchased Shares

The AGM on 25 March 2004 authorised the Board to resolve on the transfer of the company's holdings of 1,356,345 of its own shares on the Stockholm Exchange, and if applicable, on the London Stock Exchange (AIM) or by other means, including the right to resolve waiving shareholders' preferential rights, and for payment through means other than cash, in the period until the next Annual General Meeting.

Authorisation to Resolve on New Issue

The AGM on 25 March 2004 authorised the Board to resolve on the issue of an aggregate total of 1,400,000 shares on one or more occasions before the next Annual General Meeting against payment in cash and/or with resolution on payment in kind or through set-off, or otherwise subject to terms and conditions, and thereby, to waive shareholders' preferential rights.

Nomination Committee

The AGM of 25 March 2004 re-elected Rolf L. Nordström, Peter Horal and Bo Svennerholm to the Nomination Committee.

Significant Events after the End of the Period

Tripep attained all results of its preclinical safety and toxicology trials on the company's new anti-HIV CD alphaHGA on 12 October. Performing these trials is a prerequisite for planned phase I/II clinical trials on HIV patients in Thailand. The safety and toxicology trials were conducted consistent with international drug safety evaluation standards for human use, and are being performed by Scantox A/S in Denmark.

The trial demonstrated that alphaHGA is a substance with very low toxicity; in vitro and in vivo safety pharmacology trials demonstrated that alphaHGA did not have any cardiovascular, respiratory or central nervous side-effects. Moreover, the four-week toxicology trials, including daily dosages administered to rats and mini-pigs, demonstrated that alphaHGA did not give rise to any systemic toxicological effects. Even at dosages of 50 times the expected human levels, only signs of local irritation in the stomach's mucus membrane were observed when the substance was administered orally in the form of a hydrochloride salt.

As announced in a press release of 12 October 2004, the Board of Directors of Tripep AB (publ) has, by virtue of authorisation from the annual general meeting, adopted a resolution to carry out a private placement. Fore more information see under the 'Private placement' heading on page 3.

As announced in a press release of 15 October 2004, Tripep AB (publ) has appointed Remium Securities as the liquidity guarantor of its stock. The intention is to promote the liquidity of the share within the auspices of the Stockholm Exchange liquidity guarantor system.

Forthcoming Reports

Year-end Report for 2004	28 January 2005
Annual Report	March 2005
Annual General Meeting	6 April 2005

Huddinge, Sweden, 29 October 2004
Tripep AB (publ)
Anders Vahlne
Chief Executive Officer

This Interim Report has not been reviewed by the company's auditors.

For more information, please contact
Anders Vahlne, Chief Executive Officer & Head of Research
Tel: +46 (0)8 585 81313, mobile: +46 (0)70 928 0528
e-mail: anders.vahlne@labmed.ki.se

*Website: **www.tripep.se***

Accounting Principles

This Interim Report has been prepared pursuant to the Swedish Annual Accounts Act and RR's (Redovisningsrådet, the Swedish Financial Accounting Standards Council) Recommendation RR 20, Interim Reports. The same accounting principles as in the Annual Report for 2003 have been applied, as well as the following.

The company has adopted RR 29, Employee Benefits from 1 January 2004 onwards. Tripep's pension plans are defined contribution, implying that commitments are fulfilled through the payment of pension premiums. This burdens profits in the period to which the premiums apply, consistent with the principle previously applied. Accordingly, RR 29 will not have any effect on Tripep's Income Statement and Balance Sheet.

Income Statement

SEK m	**3 mth. 2004 Jul. - Sep.**	**3 mth. 2003 Jul. – Sep.**	**9 mth. 2004 Jan. – Sep.**	**9 mth. 2003 Jan. - Sep.**	**12 mth. 2003**
Net sales	0	0	0	0	0
Other operating income	0.1	0	0.1	0	0
Total operating income	**0.1**	**0**	**0.1**	**0**	**0**
Operating costs					
Research and development costs	-0.6	-0.3	-1.4	-1.1	-1.7
External research and development costs	-2.0	-2.6	-8.1	-8.4	-10.7
Other external costs	-1.3	-0.7	-3.5	-3.6	-4.8
Payroll costs	-1.4	-1.4	-6.2**	-5.0	-6.9
Depreciation of tangible fixed assets	-0.2	-0.3	-0.7	-0.7	-0.9
Total operating costs	-5.5	-5.3	-19.9	-18.8	-25.0
Operating profit/loss	**-5.4**	**-5.3**	**-19.8**	**-18.8**	**-25.0**
Profit from financial investments					
Change in short-term investments	0.0	-0.1	0.6	1.7	1.2
Interest income and similar profit/loss items	0.0	0.2	0.0	0.6	11.6*
Interest costs and similar profit/loss items	0.1	-0.1	0.0	-0.7	-0.8
Total profit from financial investments	0.1	0.0	0.6	1.6	12.0
Profit after financial items* **	**-5.3**	**-5.3**	**-19.2**	**-17.2**	**-13.0**
Tax on net profit/loss	0	0	0	0	0
Net profit/loss for the period	**-5.3**	**-5.3**	**-19.2**	**-17.2**	**-13.0**

* Of which SEK 10.0 m loan remission

** Of which SEK 1.1 m of costs for severance payment to departing CEO Johan Ihre

***Includes un-realised exchange rate differences of

SEK 0.0 m

Earnings per share

SEK	3 mth. 2004 Jul.-Sep.	3 mth. 2003 Jul.-Sep.	9 mth. 2004 Jan.- Sep.	9 mth. 2003 Jan. - Sep.	12 mth. 2003
Earnings before dilution	-0.42	-0.43	-1.54	-1.30	-1.00
Earnings after dilution	-0.42	-0.43	-1.54	-1.30	-1.00
Outstanding average number of shares	12,493,655	12,493,655	12,493,655	13,209,504	13,030,542
No. of outstanding shares, opening balance	12,493,655	12,493,655	12,493,655	13,850,000	13,850,000
Share buy-backs				-1,356,345	-1,356,345
Outstanding number of shares, closing balance	12,493,655	12,493,655	12,493,655	12,493,655	12,493,655

Definitions

Calculations pursuant to RR 18 Earnings per Share, i.e.

Earnings before dilution. Net profit divided by the average number of shares (excluding the company's own shares).

Earnings after dilution. Net profit divided by the average number of shares after expected dilution (excluding the company's own shares).

Warrants

	Number	Of which in Company's Ownership	Of which Board, Senior Executives and Other Employees	Of which Other (Incl. Former Employees)	Subscription Price, SEK	Exercise Price, SEK	Exercise Period
Series B	550,000	429,000	8,000	113,000	1.00– 20.00	157.30	15 Aug. 1999 - 14 Aug. 2006
Series C	550,000	3,000	22,200	524,800	0.50–62.00	57.30	15 Aug. 1999 - 14 Aug. 2006
Series D	750,000	200,000	289,000	261,000	0.25	20.20	7 Oct. 2005 - 7 Apr. 2006
Total	**1,850,000**	**632,000**	**319,200**	**898,800**			

Balance Sheet

SEK m	30 Sep. 2004	30 Sep. 2003	31 Dec. 2003
Intangible fixed assets	12.1	0.0	0.0
Tangible fixed assets	0.8	1.5	1.3
Financial fixed assets	3.9	-	3.9
Current receivables	1.1	1.7	1.5
Liquid assets	16.1	64.0*	44.5
Total assets	**34.0**	**67.2**	**51.2**
Shareholders' equity **(see note)**	29.3	44.3	48.5
Loan, Swedish Industrial Development Fund	-	20.0	-
Current non interest-bearing liabilities	4.7	2.9	2.7
Total liabilities and shareholders' equity	**34.0**	**67.2**	**51.2**

*of which SEK 20 m plus interest is blocked funds.

Statement of Changes to Shareholders' Equity

	30 Sep. 2004	30 Sep. 2003	31 Dec. 2003
Shareholders' equity opening balance.	48.5	102.7	102.7
Options issued	-	0.1	0.1
Buy-back of 1,356,345 shares	-	-41.3	-41.3
Net profit/loss	-19.2	-17.2	-13.0
Shareholders' equity, closing balance	**29.3**	**44.3**	**48.5**

Shareholders' Equity per Share

	30 Sep. 2004	30 Sep. 2003	31 Dec. 2003
Shareholders' equity before dilution, SEK	2.35	3.55	3.89

Definitions

Shareholders' equity before dilution: shareholders' equity divided by the number of outstanding shares (excluding the company's own shares) at the end of the period.

Conversion has been effected for previous periods.

Cash Flow Statement

SEK m	Jan.-Sep. 2004	Jan.-Sep. 2003	Jan.-Dec. 2003
Cash flow from operating activities			
Net profit/loss	-19.2	-17.2	-13.0
Depreciation and write-downs	0.7	0.7	0.9
Capital gains	0.0	0.0	0.0
Remission of loan	-	-	-10.0
Cash flow from operating activities before change in working capital	**-18.5**	**-16.5**	**-22.1**
Cash flow from change in working capital			
Decrease/increase (-) in receivables	0.4	-0.3	-0.1
Decrease(-)/increase in current liabilities	2.0	0.4	0.2
Net cash flow used in operating activities	**-16.1**	**-16.4**	**-22.0**
Cash flow from investment activities			
Incorporation of associated companies	-	-	-3.9
Acquisitions of tangible fixed assets	-0.2	0.0	0.0
Acquisitions of intangible fixed assets	-12.1	0.0	0.0
Net cash flow used in investment activities	**-12.3**	**0.0**	**-3.9**
Cash flow from financing activities			
Option premiums	0.0	0.1	0.1
Share buy-backs	0.0	-41.3	-41.3
Amortisation of debt	0.0	0.0	-10.0
Cash flow from financing activities	**0.0**	**-41.2**	**-51.2**
Cash flow for the period	**-28.4**	**-57.6**	**-77.1**
Liquid assets, at start of period	44.5	121.6	121.6
Liquid assets, at end of period	**16.1**	**64.0**	**44.5**

Key figures

	3 mth. 2004 Jul. - Sep.	3 mth. 2003 Jul. - Sep.	9 mth. 2004 Jan. - Sep.	9 mth. 2003 Jan. - Sep.	12 mth. 2003 Jan. - Dec.
Return on capital employed, %	neg	neg	neg	neg	neg
Return on equity, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	86.2	65.9	86.2	65.9	94.7
Net debt/equity ratio, multiple	-0.55	-0.99	-0.55	-0.99	-0.92
Proportion of risk-bearing capital, %	86.2	65.9	86.2	65.9	94.7
Cash flow , SEK m	-9.1	-5.8	-28.4	-57.6*	-77.1*
Net investments in tangible fixed assets, SEK m	0.0	0.0	0.2	0.0	0.0
Total research and development, SEK m	2.6	2.9	9.5	9.5	12.4
Salaries, remuneration, soc. security costs, SEK m	1.4	1.4	6.2	5.0	6.9
Average no. of employees	9	6	9	6	6

* Buy-back of the company's own shares for SEK 41.3 m is included in cash flow for the period.