



Tripep AB (publ.)  
Interim Report, January - September 2005

- The loss after tax was SEK -16.3 million (-19.2 m).
- Research and development costs were SEK 7.1 million (9.5 m), with an additional SEK 9.2 million capitalised in the first nine months of 2005.
- As yet, the company has no operating income, and thus, had no net sales in the period.
- Earnings per share were SEK -0.93 (-1.39).
- The Board of Directors consummated a new issue with preferential rights for shareholders, pursuant to EGM approval. The issue was heavily over-subscribed, raising SEK 28 million for the company before issue costs.
- Series F and G warrants were listed on the Stockholm Stock Exchange on 29 August 2005.
- The clinical phase I/II trial of alphaHGA on HIV-positive individuals in Thailand began after the regulatory authorities granted approval. Preliminary results are expected to be available at the end of first quarter of 2006.

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*Tripep AB is a Swedish biotechnology research company that develops and commercialises candidate drugs based on patented and proprietary technologies. Tripep's main focuses are:*

- research and clinical development of alphaHGA, an HIV-inhibiting drug,*
- research into a universal influenza A vaccine through its 30% ownership of VLP Biotech Inc.*
- preclinical research focusing on the development of therapeutic and prophylactic vaccines against HIV and Hepatitis C,*
- the RAS<sup>®</sup> technology platform*

*For more details of the company's technologies, please refer to the company's web site at [www.tripep.se](http://www.tripep.se)*

## **Operations**

### **alphaHGA, Tripep's New HIV-inhibiting Substance**

The clinical phase I/II trial of alphaHGA on HIV positive but otherwise healthy individuals began at Ramathibodi Hospital in Bangkok, in mid-September, after all permits were granted by the Thai regulatory authorities. This is a double-blind placebo-controlled trial, divided into three arms, each covering 12 patients with the active substance and four with a placebo, where patients are treated for four weeks, with follow-ups for another four weeks. Once the first arm concludes, alphaHGA's safety in these patients is evaluated by an independent safety committee, whereupon another two arms begin, with dosages doubled and administration twice (on one group) or three times (on the other group) daily, if no serious side-effects have been observed. All patients in the first group are now included. Preliminary results are expected to be available at the end of first quarter of 2006.

Activities were also conducted in collaboration with Galenica AB in the period to produce a suitable tablet preparation for alphaHGA's continued clinical studies and commercialization. A plan for alphaHGA's onward clinical development programme has been prepared.

### **ChronVac-C®— Therapeutic Hepatitis C Vaccine**

Tripep was granted its first patent related to the therapeutic vaccine ChronVac-C® in the first quarter of 2005 and acquired the commercial rights for a transgenic mouse model developed in collaboration with researchers at the Karolinska Institute. Tripep has been working actively towards completing the development of its ChronVac-C® vaccine and on commercializing the transgenic mouse model. This mouse model was presented for the first time at a lecture at the international 'Hepatitis C Virus and Related Viruses' symposium in Montreal, Canada, on 3 October 2005.

### **Other Research Projects**

On CarryVac-HIV 1, activities continue, relating to a HIV vaccine based on Tripep's previously patented amino acid sequences and carrier technology licensed from VRISD (the Vaccine Research Institute of San Diego). Activities on the RAS® (Redirecting Antibody Specificity) project relate to HIV. RAS® molecules act as adapters redirecting existing antibodies in the bloodstream so that they neutralize HIV. HIV-binding peptides coupled to a sugar structure, Gal-alfa1,3-Gal, which all humans have antibodies against, have been prepared and are now being tested for inhibiting HIV.

### **Patents**

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

The patent portfolio consists of 42 approved patents and 64 patents pending.

### **Employees**

The company had 16 employees at the end of the period, most employed part-time.

### **Remuneration and Benefits to the Board of Directors and Senior Executives**

#### **CEO**

The employment terms of Chief Executive Officer Jan Nilsson have been re-negotiated to permanent status effective from 1 October 2005 onwards. Mr. Nilsson will draw a fixed monthly salary of SEK 140,000, with in addition, the company paying annual pension premiums of SEK 493,000. This employment contract is subject to a six-month mutual notice period. No severance pay is due.

**Profit/loss**

The loss after financial items amounted to SEK -5.4 (-5.3) m for the third quarter and SEK -16.3 (-19.2) m for the first nine months of 2005.

As yet, the company has no operating income, and thus, no net sales.

Operating costs were SEK 5.4 (5.5) m for the third quarter and SEK 16.4 (19.9) m for the first nine months of 2005.

	Jul-Sep 2005 (2004)	Jan-Sep 2005 (2004)
Research and development costs, SEK m	2.6 (2.6)	7.1 (9.5)
Of which ext'n'l researchers & subcontractors, SEK m	2.1 (2.0)	5.8 (8.1)

**Intangible Assets**

During the second quarter 2004, the alphaHGA project entered its clinical development phase. Expenditure arising on this project has subsequently been capitalised.

	Jul-Sep 2005 (2004)	Jan-Sep 2005 (2004)
Capitalized development expenditure, SEK m	4.7 (9.0)	9.2 (12.1)

**Investments**

	Jul-Sep 2005 (2004)	Jan-Sep 2005 (2004)
Net investments in equipment, SEK m	0.0 (0.0)	0.1 (0.2)

**Financial Fixed Assets**

The company's financial fixed assets were written down by SEK 0.0 m in the third quarter and by SEK 0.2 m in the first nine months of 2005.

**Financial Position**

The company's liquid assets, including short-term investments, amounted to SEK 24.5 (16.1) m as of 30 September 2005.

The market value of short-term investments in fixed-income and yield funds amounted to SEK 23.7 (14.2) m as of 30 September 2005.

As of 30 September 2005, shareholders' equity was SEK 51.3 (29.3) m. The company's share capital amounts to SEK 4,066,666, representing 20,333,333 shares, each with a nominal value of SEK 0.20.

Current non-interest bearing liabilities amounted to SEK 3.8 (4.7) m as of 30 September 2005.

**New Issue with Preferential Rights**

Pursuant to the approval of an EGM on 9 June 2005, Tripep AB's (publ.) Board of Directors has consummated a new issue with preferential rights for shareholders. This issue was heavily over-subscribed, obviating any need to utilise the existing issue guarantee. This issue raised SEK 28 m for the company before issue costs. This transaction increases the number of Tripep

shares by 5,083,333. The share capital amounts to SEK 4,066,666.60 after the new issue, divided between 20,333,333 shares, each with a nominal value of SEK 0.20.

Two warrants were received free of charge for each subscribed and paid-up share, one series F and one series G. Four series F warrants confer the right to subscribe for one new share at a subscription price of SEK 8.00 per share in the period 1 August 2005 - 31 January 2006. Four series G warrants confer the right to subscribe for one new share at a subscription price of SEK 12.00 per share in the period 1 August 2005 - 31 August 2006.

### **Warrants**

Series F and G warrants were listed on the Stockholm Stock Exchange on 29 August 2005.

### **Forthcoming Reports**

Year-end Report for 2005  
Annual Report  
Annual General Meeting

27 January 2006  
March 2006  
5 April 2006

### **Huddinge, Sweden, 28 October 2005**

Tripep AB (publ.)  
Jan Nilsson  
Chief Executive Officer

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

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## Accounting Principles

This Interim Report was prepared pursuant to the Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting. The same accounting principles as in the Annual Report for 2004 were applied.

## Adoption of IFRS

From 2005 onwards, all companies quoted in the European Union must prepare their consolidated accounts pursuant to IFRS (International Financial Reporting Standards), which also cover prevailing IAS (International Accounting Standards). Because Tripep AB is not a corporate group, this EU ordinance does not apply, and accordingly, Tripep AB is not adopting IFRS. Instead, from 1 January 2005 onwards, Tripep AB is observing the recommendation applying to legal entities, RR 32—Accounting of Legal Entities. The adoption of RR 32 did not have any effect on Tripep.

## Income Statement

SEK m	<u>3 mth.</u> 2005 Jul - Sep	<u>3 mth.</u> 2004 Jul - Sep	<u>9 mth.</u> 2005 Jan - Sep	<u>9 mth.</u> 2004 Jan - Sep	<u>12 mth.</u> 2004
Net sales	0	0	0	0	0
Other operating income	0	0.1	0	0.1	0.1
<b>Total operating income</b>	<b>0</b>	<b>0.1</b>	<b>0</b>	<b>0.1</b>	<b>0.1</b>
<u>Operating costs</u>					
Research and development costs	-0.5	-0.6	-1.3	-1.4	-1.8
External research and development costs	-2.1	-2.0	-5.8	-8.1	-10.4
Other external costs	-0.8	-1.3	-2.8	-3.5	-5.2
Payroll costs	-1.9	-1.4	-6.2	-6.2**	-8.1*
Depreciation of tangible fixed assets	-0.1	-0.2	-0.3	-0.7	-1.0
Total operating costs	-5.4	-5.5	-16.4	-19.9	-26.5
<b>Operating profit/loss</b>	<b>-5.4</b>	<b>-5.4</b>	<b>-16.4</b>	<b>-19.8</b>	<b>-26.4</b>
<u>Profit from financial investments</u>					
Write-down of financial fixed assets	-0.1	-	-0.3	-	-0.1
Change in short-term investments	0.0	0.0	0.2	0.6	0.5
Interest income and similar profit/loss items	0.1	0.0	0.2	0.0	0.2
Interest costs and similar profit/loss items	-0.0	0.1	-0.0	0.0	-0.0
Total profit from financial investments	0.0	0.1	0.1	0.6	0.6
<b>Profit after financial items**</b>	<b>-5.4</b>	<b>-5.3</b>	<b>-16.3</b>	<b>-19.2</b>	<b>-25.8</b>
Tax on net profit/loss	0	0	0	0	0
<b>Net profit/loss for the period</b>	<b>-5.4</b>	<b>-5.3</b>	<b>-16.3</b>	<b>-19.2</b>	<b>-25.8</b>

\* Of which SEK 1.1 m of costs for severance payment to J  
Ihre.

\*\*Inc. unrealised exch. rate differences of SEK 0.0 m

## Earnings per share

SEK	<u>3 mth.</u>	<u>3 mth.</u>	<u>9 mth.</u>	<u>9 mth.</u>	<u>12 mth.</u>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
	Jul - Sep	Jul - Sep	Jan - Sep	Jan - Sep	
Earnings before dilution	-0.27	-0.39	-0.93	-1.39	-1.87
Earnings after dilution	-0.27	-0.39	-0.93	-1.39	-1.87
Outstanding average number of shares	19,871,720	13,758,835	17,664,895	13,758,835	13,788,439

Definitions: Calculations pursuant to IAS 33 Earnings per Share, i.e.

Earnings before dilution. Net profit divided by the average number of shares (excluding treasury shares).

Earnings after dilution. Net profit divided by the average number of shares after expected dilution (excluding treasury shares).

Conversion has been effected for previous periods due to the bonus issue element of a consummated rights issue.

## No. of outstanding shares

No. of outstanding shares, opening balance	15,250,000	12,493,655	14,993,655	12,493,655	12,493,655
Buy-back of treasury shares	-	-	-	-	-
Sale of treasury shares	-	-	256,345	-	1,100,000
New issue of shares	5,083,333	-	5,083,333	-	1,400,000
Outstanding number of shares, closing balance	20,333,333	12,493,655	20,333,333	12,493,655	14,993,655

## Warrants as of 30 September 2005

	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	146.40	15 Aug. 1999 - 14 Aug. 2006
Series C	550,000	3,000	22,200	524,800	0.50 – 62.00	53.30	15 Aug. 1999 - 14 Aug. 2006
Series D	750,000	0	461,000	287,000	0.23 – 0.40	18.80	7 Oct. 2005 - 7 Apr. 2006
Series E	310,000	0	250,000	60,000	0.30	20.00	15 Oct. 2007 – 15 Apr. 2008
Series F	5,083,336	Rights issue				8.00	1 Aug. 2005 – 31 Jan. 2006
Series G	5,083,336	Rights issue				12.00	1 Aug. 2005 – 31 Aug. 2006

### Series A

Expired on 14 August 2004 without being exercised

### Series B-E

Each option confers the right to subscribe for 1.08 shares.

### Series F-G

Four options confers the right to subscribe for 1 (one) share.

## Balance Sheet

SEK m	30 Sep 2005	30 Sep 2004	31 Dec 2004
Intangible fixed assets	23.9	12.1	14.8
Tangible fixed assets	0.5	0.8	0.7
Financial fixed assets	3.6	3.9	3.8
Current receivables	2.6	1.1	1.6
Liquid assets	24.5	16.1	28.1
<b>Total assets</b>	<b>55.1</b>	<b>34.0</b>	<b>49.0</b>
Shareholders' equity (see note below)	51.3	29.3	42.0
Current non interest-bearing liabilities	3.8	4.7	7.0
<b>Total liabilities and shareholders' equity</b>	<b>55.1</b>	<b>34.0</b>	<b>49.0</b>

## Statement of Changes to Shareholders' Equity

	30 Sep 2005	30 Sep 2004	31 Dec 2004
Shareholders' equity, opening balance	42.0	48.5	48.5
Warrants issued	0.1	-	0.0
Sale of 1,356,345 treasury shares**	2.2	-	9.4*
New issue of 5,083,333 shares	23.4***	-	9.9*
Net profit/loss	-16.3	-19.2	-25.8
<b>Shareholders' equity, closing balance</b>	<b>51.3</b>	<b>29.3</b>	<b>42.0</b>

\* Including transaction costs of SEK 2.0 m

\*\* 1,100,000 in Dec. 2004, 256,345 in Jun. 2005

\*\*\*Including issue costs of SEK 4.5 m

## Shareholders' Equity per Share

	30 Sep 2005	30 Sep 2004	31 Dec 2004
Shareholders' equity before dilution, SEK	2.52	2.13	2.54
Shareholders' equity after full conversion, SEK	6.03	5.99	5.85

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

Shareholders' equity after full exercise: Shareholders' equity after full exercise of all outstanding warrant plans (excluding warrants held by the company) divided by the number of outstanding shares (excluding the company's treasury shares) and the number of shares that the outstanding warrants would generate after full exercise (excluding warrants held by the company) at the end of the period.

Conversion has been effected for previous periods due to the bonus issue element of a consummated rights issue.

## Cash Flow Statement

SEK m	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004
<b>Cash flow from operating activities</b>			
Net profit/loss	-16.3	-19.2	-25.8
Depreciation and write-downs	0.6	0.7	1.1
<b>Cash flow from operating activities before change in working capital</b>	<b>-15.7</b>	<b>-18.5</b>	<b>-24.7</b>
<u>Cash flow from change in working capital</u>			
Decrease/increase (-) in receivables	-1.1	0.4	-0.1
Decrease(-)/increase in current liabilities	-3.2	2.0	4.3
<b>Net cash flow used in operating activities</b>	<b>-20.0</b>	<b>-16.1</b>	<b>-20.5</b>
<b>Cash flow from investment activities</b>			
Acquisitions of tangible fixed assets	-0.1	-0.2	-0.4
Acquisitions of intangible fixed assets	-9.2	-12.1	-14.8
<b>Net cash flow used in investment activities</b>	<b>-9.3</b>	<b>-12.3</b>	<b>-15.2</b>
<b>Cash flow from financing activities</b>			
Option premiums	0.1	0.0	0.0
Sale of treasury shares	2.2	0.0	9.4
New issue	23.4	0.0	9.9
<b>Cash flow from financing activities</b>	<b>25.7</b>	<b>0.0</b>	<b>19.3</b>
Cash flow for the period	<b>-3.6</b>	<b>-28.4</b>	<b>-16.4</b>
<b>Liquid assets, at start of period</b>	<b>28.1</b>	<b>44.5</b>	<b>44.5</b>
<b>Liquid assets, at end of period</b>	<b>24.5</b>	<b>16.1</b>	<b>28.1</b>

## Key Figures

	<u>3 mth.</u> 2005 Jul - Sep	<u>3 mth.</u> 2004 Jul - Sep	<u>9 mth.</u> 2005 Jan - Sep	<u>9 mth.</u> 2004 Jan - Sep	<u>12 mth.</u> 2004
Return on capital employed, %	neg	neg	neg	neg	neg
Return on equity, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	93.1	86.2	93.1	86.2	85.7
Net debt/equity ratio, multiple	-0.48	-0.55	-0.48	-0.55	-0.67
Proportion of risk-bearing capital, %	93.1	86.2	93.1	86.2	85.7
Cash flow, SEK m	14.6**	-9.1	-3.6	-28.4	-16.4*
Net investments in tangible fixed assets, SEK m	0.0	0.0	0.1	0.2	0.4
Total research and development (written off), SEK m	2.6	2.6	7.1	9.5	12.2
Capitalised development expenditure, SEK m	4.7	9.0	9.2	12.1	14.8
Salaries, benefits and social security costs, SEK m	1.9	1.4	6.2	6.2	8.1
Average no. of employees	10	9	10	9	9

\* A new issue of shares and the sale of treasury shares amounting to SEK 19.3 m is included in cash flow for the period.

\*\* A new issue of shares amounting to SEK 23.4 m is included in cash flow for the period.