



Tripep AB (publ.)—Year-end Report—July - December 2006

Corporate identity number: 556705-1965¹⁾

- The company had no net sales for the period July - December 2006.
- Research and development costs for the period July - December 2006 amounted to SEK 13.3 million.
- The loss after tax for the period July - December 2006 was SEK -21.1 million.
- Earnings per share for the period July - December 2006 were SEK -0.78.
- In December, Tripep filed an application with the Swedish Medical Products Agency to approve the start of a phase I trial on Tripep's ChronVac-C®.
- In October, Tripep AB acquired a project, ChronSeal, for treating chronic wounds developed by researchers at Linköping University Hospital.
- In December, Tripep consummated a rights issue raising some SEK 30.1 million before issue costs of approximately SEK 2.5 million.
- Rolf L. Nordström has resigned as Chairman and Board member as a consequence of Dormant Properties selling all its Tripep shares to Verrazano Ltd., a company represented by Thomas Lynch. In anticipation of an EGM (Extraordinary General Meeting), the Board of Directors has appointed Anders Vahlne as Chairman.
- Events after the end of the reporting period:
 - An EGM on 25 January 2007 appointed Thomas Lynch as Board member and Chairman of the Board.

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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:

- *the clinical development of ChronSeal, a wound healing project based on HGF,*
- *the clinical development of ChronVac-C®, a therapeutic vaccine against Hepatitis C,*
- *preclinical research focusing on the development of therapeutic and prophylactic vaccines against HIV and hepatitis C,*
- *the RAS® technology platform*

For more details of the company's technologies, please refer to the company's web site at

www.tripep.se

1) The Company was recently formed as of 7 June 2006, and has been active since 1 July 2006. All operations in Old Tripep were transferred to the subsidiary Tripep AB on 1 July 2006. For more information, see page 3.

Operations

ChronVac-C® – Therapeutic Hepatitis C Vaccine

Work on the toxicological evaluation of the combination of ChronVac-C® and Inovio's Medpulsar® DDS technology was completed in the autumn. In the period, the conclusion that the combination of ChronVac-C® and Inovio's Medpulsar® DDS also provides very positive immune response in larger animals such as rabbits, was obtained. This is promising with respect to the planned trials on humans. Animal trials demonstrating proof of concept for the combination of ChronVac-C® and Inovio's Medpulsar® DDS, i.e. the production of an immune response that can enter the liver and eliminate liver cells that produce hepatitis C virus protein was also completed. This is an objective of a therapeutic vaccine against hepatitis C. In December 2006, Tripep announced that it had applied for ethical committee and Swedish Medical Products Agency approval to begin a phase I trial of ChronVac-C®, administered with Inovio's Medpulsar® DDS on healthy volunteers. Tripep's hope and intention is to be able to start this clinical trial in spring 2007.

ChronSeal – treating chronic skin wounds

In autumn 2006, Tripep acquired a new patent pending therapy for treating chronic skin wounds developed at Linköping University Hospital. This therapy is based on the inherent compound hepatopoetin, also known as hepatocyte growth factor (HGF), a prerequisite for wound healing, administered in combination with antibiotics. This therapy has already been tested successfully on humans, and is based on a discovery that in many poorly healing wounds, the normally present growth factor HGF is defective, and accordingly, not active in the patient. The combination therapy with antibiotics is necessary because bacteria in the wound can metabolise HGF. The acquisition also includes a patent pending diagnostic method that determines whether a patient produces the active form of HGF. Preparations for clinical phase II trials have begun.

Other Research Projects

Activities on the RAS® (Redirecting Antibody Specificity) project, relating to HIV, continue. 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 and for the antibody dependent neutralization of HIV-infected cells in vitro.

Patents

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

At the annual reviews of the Company's patent portfolio it was decided not to keep/maintain some of the old patents that were deemed to not have any value.

The patent portfolio consists of 28 approved patents and 60 patents pending.

Publications

Söderholm J, Ahlén G, Kaul A, Frelin L, Alheim M, Barnfield C, Liljeström P, Weiland O, Milich DR, Bartenschlager R, and Sällberg M. 2006. Relation between viral fitness and immune escape within the hepatitis C virus protease Gut 55: 266-274.

Frelin L, Brenndörfer ED, Ahlén G, Weiland M, Hultgren C, Alheim M, Glaumann H, Rozell B, Milich DR, Bode JG, and Sällberg M. 2006. The hepatitis C virus and immune evasion: Non-structural 3/4A transgenic mice are resistant to tumour-necrosis factor- α -mediated liver disease. Gut 55:1475-83

Söderholm J, and Sällberg M. 2006. A complete mutational fitness map of the hepatitis C virus non-structural 3 protease: Relation to recognition by cytotoxic T lymphocytes. J Inf Dis 194(12):1724-8.

Billaud JN, Peterson D, Lee BO, Maruyama T, Chen A, Sallberg M, Garduno F, Goldstein P, Hughes J, Jones J, Milich D. 2006. Advantages to the use of rodent hepadnavirus core proteins as vaccine platforms. Vaccine. 2006 Nov 17; [Epub ahead of print].

Corporate Structure

With the intention of creating value for the shareholders of Old Tripep (corporate identity number 556541-1898) and simultaneously focus on current research projects, the operations of Old Tripep (current corporate name Din Bostad Sverige AB) were transferred to the subsidiary Tripep AB (corporate identity number 556705-1965) on 1 July 2006. The transfer encompassed all assets, commitments, liabilities, patents, licences and contracts attributable to operations. This was conducted as preparation for the acquisition of residential properties and other assets approved by Old Tripep's EGM on 25 September 2006. The shares of Tripep were spun off to the shareholders of Old Tripep as of the record date of 28 September 2006. For information on the tax-related division of acquisition values, please refer to www.tripep.se.

Coincident with the above, Tripep's Board of Directors resolved to apply for quotation on the Stockholm Stock Exchange First North marketplace, with the aim of offering shareholders access to a marketplace well suited to Tripep's needs and circumstances. The company was listed on First North on 18 October 2006 under the name Tripep AB (code: TPEP).

The operations Tripep AB is conducting are the same as those previously conducted within Old Tripep. For more details on the transaction and history, readers are referred to the information brochure published in September 2006 before the EGM on 25 September 2006 and to the prospectus published in November 2006 (both only available in Swedish), more information at www.tripep.se.

Employees

The company had 9 employees at the end of the period.

Board of Directors

On 29 December 2006, Rolf L. Nordström resigned as Chairman of the Board and Board member, and as Chairman of the Nomination Committee as a consequence of Dormant Properties selling its entire holdings of Tripep to Verrazano Ltd., a company represented by Thomas Lynch. In anticipation of an EGM, the Board appointed Anders Vahlne as Chairman. For more information, please refer to 'events after the end of the reporting period'.

Profit/loss

The company has no net sales. The SEK 0.1 m under other operating income relates to EU subsidies received.

Operating costs were SEK 13.6 for the fourth quarter 2006 and SEK 21.4 m for the period July - December 2006.

The loss after financial items were SEK -13.6 for the fourth quarter 2006 and SEK -21.1 m for the period July - December 2006.

	Oct - Dec 2006	Jul - Dec 2006
Research and development costs, SEK m	10.3	13.3
Of which ext'n'l researchers & subcontractors, SEK m	9.8	12.6

Investments

	Oct - Dec 2006	Jul - Dec 2006
Net investments in equipment, SEK m	0.2	0.2

By means of an operational transfer between Old Tripep and New Tripep ('New Tripep') on 1 July 2006, the company has taken over items including fixed assets of SEK 0.3 m, expendable equipment of SEK 0.1 m, other current receivables amounting to SEK 1.8 m and current liabilities of SEK 3.6 m.

Financial Position

The company's liquid assets amounted to SEK 40.2 m as of 31 December 2006.

As of 31 December 2006, shareholders' equity was SEK 31.1 m. The company's share capital amounted to SEK 2,406,749.40 representing 48,134,988 shares, of which SEK 1,203,374.70 is paid up but not yet recorded with the Swedish Companies Registration Office, representing 24,067,494 shares.

Long-term liabilities were SEK 4.3 m as of 31 December 2006. This is an undertaking for the next five years which Tripep did in relation to the purchase of ChronSeal, the wound healing project.

Current non-interest bearing liabilities amounted to SEK 6.9 m as of 31 December 2006.

Rights Issue

During the fourth quarter 2006, Tripep AB consummated a new issue with preferential rights for shareholders; 52.5% of the rights issue was subscribed using subscription rights, and 0.3% without subscription rights. The remaining 47.2% was subscribed *pro rata* by Erik Selin and Johan Thorell, main shareholders and Board members of Din Bostad Sverige AB, pursuant to guarantee agreements.

Through the rights issue of 24,067,494 units (one unit = 1 new share and 1 new warrant), the company raised approximately SEK 30.1 m before issue costs of some SEK 2.5 m.

The new issue increased the number of shares by 24,067,494. After the new issue, the share capital was SEK 2,406,749.40 and the number of shares was 48,134,988. The new issue was registered at the Swedish Companies Registration Office on 3 January 2007. If warrants are fully exercised, the company would issue another 24,067,494 shares, and would raise another SEK 48.1 m.

Warrants

One apportioned and paid-up share in the above rights issue conferred one warrant 2006/2007 series 1 (TO1). There are 24,067,494 warrants. Each TO1 warrant confers the holder with the right to subscribe for one (1) new share of the company at a subscription price of SEK 2.00 cash per share. Subscription for shares is possible in the period from 14 May to 31 May 2007 inclusive. TO1s have been listed, and subject to trading, on the First North marketplace from 15 January 2007.

Participations in Associated Companies

The company has a participation of 30% (1,250,000 shares) of VLP Biotech Inc. of San Diego, US, with a book value of SEK 0.

Events after the End of the Reporting Period

As reported in a press release of 4 January 2007, Verrazano Ltd., a company represented by Thomas Lynch, announced that it had acquired the shareholding of Tripep AB previously held by Dormant Properties (4,591,191 shares and 4,591,191 subscribed and paid-up units). After consultation with Tripep's largest shareholders, representing over 50% of shares, Anders Vahlne, Acting Chairman of Tripep, reported that Thomas Lynch has accepted candidature as Tripep's Chairman.

An EGM of 25 January 2007 elected Thomas Lynch as Board member and Chairman of the Board. The Meeting also resolved that no Directors' fees would be payable.

Annual General Meeting (AGM)

Tripep's AGM 2007 will be held on 22 March at 6 p.m. in the Atlanta Auditorium, World Trade Center Stockholm, Klarabergsviadukten 70 (alternative entrance Kungsbron 1), Stockholm, Sweden.

The Annual Report for 2006 will only be available from Tripep's Website. The Swedish version will be available by no later than two weeks before the AGM 2007.

Forthcoming Financial Reports

Annual Report	March 2007
Annual General Meeting	22 March 2007
First-quarter Interim Report 2007	27 April 2007
Second-quarter Interim Report 2007	24 August 2007
Third-quarter Interim Report 2007	26 October 2007
Financial Statement 2007	1 February 2008

Accounting Principles

This Year-end Report was prepared pursuant to the Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting, taking the exceptions from and amendments to IFRS/IAS, specified in RR32:05 into consideration.

Income Statement

SEK m	<u>3 mth.</u>	<u>6 mth.</u>
	2006	2006
	Oct-Dec	Jul-Dec
Net sales	-	-
Other operating income	0.0	0.1
Total operating income	0.0	0.1
<u>Operating costs</u>		
Other external costs*	-11.5	-17.1
Payroll costs	-2.1	-4.3
Depreciation and write-downs of tangible fixed assets	-0.0	-0.0
Total operating costs	-13.6	-21.4
Operating profit/loss	-13.6	-21.3
<u>Profit from financial investments</u>		
Interest income and similar profit/loss items	0.0	0.2
Interest costs and similar profit/loss items	-	-
Total profit from financial investments	0.0	0.2
Profit after financial items**	-13.6	-21.1
Tax on net profit/loss	-	-
Net profit/loss for the period	-13.6	-21.1

* R&D costs specified under key figures on p. 9

** Inc. un-realised exch. rate differences of SEK 0.0 m

Earnings per Share

SEK	<u>3 mth.</u>	<u>6 mth.</u>
	2006	2006
	Oct-Dec	Jul-Dec
Earnings per share	-0.49	-0.78
Earnings per share after dilution	-0.49	-0.78
Outstanding average number of shares	27,684,401	27,180,748

Earnings per share: net profit divided by the average number of shares.

Earnings after dilution: net profit divided by the average number of shares after dilution.

No outstanding options give rise to any dilution effect when calculating earnings per share.

Conversion has been effected for the bonus issue element of consummated rights issue.

Number of Outstanding Shares

	3 mth. 2006 Oct-Dec	6 mth. 2006 Jul-Dec
No. of outstanding shares, opening balance	23,567,494	2,000,000
New issue	-	21,566,068
New issue	-	1,426
Setoff issue	500,000	500,000
New issue (paid-up, registered on 3 January 2007)	24,067,494	24,067,494
Outstanding number of shares, closing balance	48,134,988	48,134,988

Warrants

	Number	Exercise Price, SEK	Exercise Period
TO1	24,067,494	2.00	14 May 2007-31 May 2007

One option confers the right to subscribe for one share

Balance Sheet

SEK m	31 Dec 2006
Financial fixed assets	0.0
Tangible fixed assets	0.4
Current receivables	1.7
Cash & bank balances*	40.2
Total assets	42.3
Shareholders' equity (see note below)	31.1
Long-term liabilities	4.3
Current non interest-bearing liabilities	6.9
Total liabilities and shareholders' equity	42.3

* of which 0.4 is blocked funds for rent and VPC (the Swedish Central Securities Depository & Clearing Organization)

Statement of Changes to Shareholders' Equity

	31 Dec. 2006
Formation (7 June 2006)	0.1
New issues*	29.5
Unconditional shareholders' contribution in relation to change of company structure	22.6
Net profit/loss	-21.1
Shareholders' equity, closing balance	31.1

* Includes issue costs of SEK 2.5 m.

Shareholders' Equity per Share **

	31 Dec. 2006
Shareholders' equity per share, SEK	0.65

Definitions

Shareholders' equity per share: shareholders' equity divided by the number of outstanding shares at the end of the period (including new issue registered 3 January 2007).

Cash Flow Statement

SEK m	Jul-Dec 2006
Cash flow from operating activities	
Net profit/loss	-21.1
Depreciation and write-downs	0.0
Change in long-term liabilities*	4.3
Setoff issue	0.8
Cash flow from operating activities before change in working capital	-16.0
<u>Cash flow from change in working capital</u>	
Decrease in receivables**	0.1
Increase in liabilities**	3.3
Net cash flow used in operating activities	-12.6
Cash flow from investment activities	
Acquisition of assets and liabilities **	1.4
Net cash flow used in investment activities	1.4
Cash flow from financing activities	
New issue/capital contribution	52.1
Cash flow for the period	40.1
Liquid assets, at start of period	0.1
Liquid assets, at end of period	40.2

*This is an undertaking for the next five years which Tripep did in relation to the purchase of ChronSeal, the wound healing project.

** Fixed assets 0.4, current receivables 1.8, current liabilities 3.6. More information under 'corporate structure' on page 3.

Key Figures

	<u>3 mth.</u> 2006 Oct-Dec	<u>6 mth.</u> 2006 Jul-Dec
Return on capital employed, %	neg	neg
Return on equity, %	neg	neg
Equity/assets ratio, %	73.5	73.5
Net debt/equity ratio, multiple	0.14	0.14
Liquid assets	40.2	40.2
Short-term investments	0.0	0.0
Proportion of risk-bearing capital, %	73.5	73.5
Cash flow, SEK m	20.6	40.1
Net investments in tangible fixed assets, SEK m	0.2	0.2
Intern'l research and development (written off), SEK m	0.5	0.7
Ext'n'l research and development (written off), SEK m	9.8	12.6
Salaries, benefits and social security costs, SEK m	2.1	4.3
Average no. of employees	9	10

* The transfer as of 1 July 2006 included SEK 0.4 m of fixed assets, of which 0.1 were written off.

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Huddinge, Sweden, 26 January 2007

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