



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

- The loss after tax for the first quarter 2005 was SEK -5.2 million (-6.8 m).
- Research and development costs were SEK 2.1 million (4.0 m) for the first quarter 2005, with an additional SEK 2.4 million capitalised.
- The company recorded no net sales in the period.
- First-quarter 2005 earnings per share were SEK -0.35 (-0.54).
- All the documentation necessary for approval of the company's first phase I/II clinical trial on its new anti-HIV drug alphaHGA was filed with the Thai authorities in February.
- Another active analogue of alphaHGA was identified.
- Tripep was granted its first US patent for ChronVac C®.
- Tripep acquired the commercial rights to a test model for hepatitis C.

For more information, please contact

Jan Nilsson, Chief Executive Officer

Tel: +46 (0)8 449 84 82, mobile: +46 (0)70 466 31 63

e-mail: jan.nilsson@tripep.se

Anders Vahlne, Head of Research

Tel: +46 (0)8 5858 1313, mobile: +46 (0)70 928 05 28

e-mail: anders.vahlne@labmed.ki.se

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

- *research and clinical development of alphaHGA, an HIV-inhibiting drug,*
- *research of a universal influenza A vaccine through its 30% ownership in VLP Biotech Inc.*
- *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

Operations

alphaHGA, Tripep's New HIV-inhibiting Substance

All the documentation necessary for approval of the company's first phase I/II clinical trial on alphaHGA was filed with the Thai regulators in February. This trial will be conducted at Ramathibodi hospital, which in turn collaborates with Mahidol University of Bangkok, one of Thailand's pre-eminent institutions. Professor William G. Powderly of University College Dublin, a world authority in HIV treatment, participated in the study design. Because the trial will be conducted on HIV-positive patients, apart from safety data, it will also generate preliminary efficacy data on alphaHGA. Apart from Professor Powderly and the Thai practitioners at Mahidol University, CROs Stricent AB of Lund, Sweden and PPD of Bangkok, Thailand offered assistance in producing the documentation. Tripep assigned Malmö, Sweden-based Galenica AB to produce the preparation of alphaHGA to be administered on patients in the forthcoming phase I/II trial, and will also produce the prepared compound. Inpac AB, of Lund, Sweden will be responsible for packaging and transport of the alphaHGA preparation. GMP-standard (Good Manufacturing Practice) alphaHGA has been supplied by Pharmatary Oy of Finland.

Apart from the two active analogues (chemical versions) of alphaHGA announced last year, another active variant of the compound was produced. This third alphaHGA analogue means the further consolidation of alphaHGA's patent protection, demonstrating that it is possible to expand the compound family around this entirely new class of HIV drug.

ChronVac-C®— Therapeutic Hepatitis C Vaccine

Tripep was granted its first patent related to the therapeutic vaccine ChronVac-C® in the first quarter, covering the ChronVac-C® gene and its usage in vaccine in combination with ribavirine. Tripep also acquired the commercial rights for a transgenic mouse model developed in collaboration with researchers at the Karolinska Institute. This mouse model—a spin-off from the ChronVac-c® project—is applicable to the development of new drugs and to therapeutic hepatitis C vaccines. The mouse liver expresses the ChronVac-C® gene, which corresponds to hepatitis C virus enzyme protease. Tripep is now working actively on commercializing this model.

Other Research Projects

On CarryVac-HIV 1, activities continued relating to an HIV vaccine based on Tripep's previously patent amino acid sequences and carrier technology licensed from VRISD (the Vaccine Research Institute of San Diego). On Ribacine, Tripep's researchers are examining the potential of combining this technology with Tripep's proprietary vaccines, and vaccines developed together with jointly owned company VLP Biotech of the US. 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 41 approved patents and 33 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

Chief Executive Officer

The employment contract of Tripep's CEO, Jan Nilsson, was extended to December 2005 inclusive.

Board of Directors

See 'Events after the End of the Period'.

Profit/loss

The loss after financial items for the first quarter 2005 amounted to SEK -5.2 (-6.8) m.

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

Operating costs were SEK 5.2 (7.3) m for the first quarter 2005.

	Jan-Mar	
	2005	(2004)
Research and development costs, SEK m	2.1	(4.0)
Of which ext'n'l researchers & subcontractors, SEK m	1.8	(3.6)

Intangible Assets

During the second quarter 2004, the alphaHGA project entered its clinical development phase, SEK 2.4 m of expenditure arising on this project in the first quarter 2005 was capitalised.

Investments

	Jan-Mar	
	2005	(2004)
Net investments in equipment, SEK m	0.0	(0.0)

Financial Fixed Assets

The company's financial fixed assets were written down by SEK 0.1 m in the first quarter 2005.

Financial Position

The company's liquid assets, including short-term investments, amounted to SEK 16.9 (36.4) m as of 31 March 2005.

The market value of short-term investments in fixed-income and yield funds amounted to SEK 14.5 (34.1) m as of 31 March 2005.

As of 31 March 2005, shareholders' equity was SEK 36.8 (41.7) m. The company's share capital amounts to SEK 3,050,000, representing 15,250,000 shares, each with a nominal value of SEK 0.20. The company held 256,345 shares in treasury.

Current non-interest bearing liabilities amounted to SEK 3.4 (3.6) m as of 31 March 2005.

Warrants

The 100,000 series D options the company held in treasury at 1 January were sold to the staff at market price in February 2005.

Events after the End of the Period

The AGM on 6 April 2005 resolved on the following:

Election of the Board of Directors, Chairman and Resolution on Remuneration

Rolf L. Nordström, Anders Vahlne, Matti Sällberg, William W. Hall, Yiming Shao (all re-elected) and Thomas Lynch (elected) were elected to the Board of Directors.

Rolf L. Nordström was re-elected Chairman of the Board.

The AGM resolved on total Directors' fees of SEK 450,000 to be divided according to Board decision, whereupon no fees are payable to those Board members that are employed by, or have comparable assignments, with the company.

Authorisation Regarding Treasury Shares

The AGM (Annual General Meeting) on 6 April 2005 authorized the Board to resolve on transferring the company's remaining 256,345 treasury shares on the Stockholm Stock Exchange in the period until the next AGM, or by other means, including the right to resolve waiving shareholders' preferential rights, and for payment through means other than cash.

Amendment of Articles of Association

The AGM resolved in accordance with the Board's proposal to extend the interval for share capital in the Articles of Association from SEK 2-8 million to SEK 3-12 million.

Stock Option Plan

In accordance with the Board of Directors' and Nomination Committee's proposal, the AGM resolved to introduce a stock option plan, whereby the company will issue promissory notes with a maximum of 310,000 detachable options. Each option confers the holder with rights to subscribe for one new share of the company in the period 15 October 2007 - 15 April 2008. The exercise price shall correspond to 250% of the average last paid price for the Tripep share on the Stockholm stock exchange during the period 29 March- 7 April 2005. Based on this the exercise price has been established to SEK 21.50. The intended subscribers for the promissory notes and detachable options are Thomas Lynch (250,000), elected as a Board member at the AGM and Professor William G. Powderly (60,000), recently elected as a member of the company's Scientific Advisory Board.

Nomination Committee

The AGM resolved to appoint a Nomination Committee comprising Chairman of the Board Rolf L. Nordström, Peter Horal and Bo Svennerholm. The task of the Nomination Committee is to submit proposals for Board members and Directors' fees to the AGM in 2006.

Forthcoming Reports

Second-quarter Interim Report 2005
Third-quarter Interim Report 2005
Year-end Report for 2005

26 August 2005
28 October 2005
27 January 2006

Huddinge, Sweden, 29 April 2005

Tripep AB (publ.)

Jan Nilsson
Chief Executive Officer

For more information, please contact

Jan Nilsson, CEO: +46 (0)8 449 84 82, mobile +46 (0)70 466 3163

e-mail: jan.nilsson@tripep.se

Anders Vahlne, Head of Research

Tel: +46 (0)8 5858 1313, mobile: +46 (0)70 928 05 28

e-mail: anders.vahlne@labmed.ki.se

Website: www.tripep.se

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 transfer to RR 32 has not had any effect on Tripep.

Income Statement

SEK m	<u>3 mth</u>	<u>3 mth</u>	<u>12 mth</u>
	2005	2004	2004
	Jan - Mar	Jan - Mar	
Net sales	0	0	0
Other operating income	0	0	0.1
Total operating income	0	0	0.1
<u>Operating costs</u>			
Research and development costs	-0.3	-0.4	-1.8
External research and development costs	-1.8	-3.6	-10.4
Other external costs	-0.9	-1.1	-5.2
Payroll costs	-2.1	-2.0	-8.1*
Depreciation of tangible fixed assets	-0.1	-0.2	-1.0
Total operating costs	-5.2	-7.3	-26.5
Operating profit/loss	-5.2	-7.3	-26.4
<u>Profit from financial investments</u>			
Write-down of financial fixed assets	-0.1	-	-0.1
Change in short-term investments	0.1	0.5	0.5
Interest income and similar profit/loss items	0.0	0.0	0.2
Interest costs and similar profit/loss items	-0.0	0.0	-0.0
Total profit from financial investments	0.0	0.5	0.6
Profit after financial items**	-5.2	-6.8	-25.8
Tax on net profit/loss	0	0	0
Net profit/loss for the period	-5.2	-6.8	-25.8

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

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

Earnings per share

SEK	<u>3 mth</u>	<u>3 mth</u>	<u>12 mth</u>
	2005	2004	2004
	Jan - Mar	Jan - Mar	
Earnings before dilution	-0.35	-0.54	-2.06
Earnings after dilution	-0.35	-0.54	-2.06
Outstanding average number of shares	14,993,655	12,493,655	12,520,537
No. of outstanding shares, opening balance	14,993,655	12,493,655	12,493,655
Buy-back of treasury shares	-	-	-
Sale of treasury shares	-	-	1,100,000
New issue of shares	-	-	1,400,000
Outstanding number of shares, closing balance	14,993,655	12,493,655	14,993,655

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.

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	0	463,000	287,000	0.23 – 0.40	20.20	7 Oct. 2005 - 7 Apr. 2006
Total	1,850,000	432,000	493,200	924,800			

Balance Sheet

SEK m	31 Mar 2005	31 Mar 2004	31 Dec 2004
Intangible fixed assets	17.2	0.0	14.8
Tangible fixed assets	0.7	1.1	0.7
Financial fixed assets	3.7	3.9	3.8
Current receivables	1.7	3.9	1.6
Liquid assets	16.9	36.4	28.1
Total assets	40.2	45.3	49.0
Shareholders' equity (see note below)	36.8	41.7	42.0
Current non interest-bearing liabilities	3.4	3.6	7.0
Total liabilities and shareholders' equity	40.2	45.3	49.0

Statement of Changes to Shareholders' Equity

	31 Mar 2005	31 Mar 2004	31 Dec 2004
Shareholders' equity opening balance.	42.0	48.5	48.5
Warrants issued	0.0	-	0.0
Buy-back of 1,100,000 treasury shares	-	-	9.4*
New issue of 1,400,000 shares	-	-	9.9*
Net profit/loss	-5.2	-6.8	-25.8
Shareholders' equity, closing balance	36.8	41.7	42.0

* Including transaction cost of SEK 2.0 m

Shareholders' Equity per Share

	31 Mar 2005	31 Mar 2004	31 Dec 2004
Shareholders' equity before dilution, SEK	2.45	3.34	2.80
Shareholders' equity after full conversion, SEK	6.23	8.10	6.47

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 outstanding warrants (excluding warrants held by the company) at the end of the period.

Cash Flow Statement

SEK m	Jan-Mar 2005	Jan-Mar 2004	Jan-Dec 2004
Cash flow from operating activities			
Net profit/loss	-5.2	-6.8	-25.8
Depreciation and write-downs	0.2	0.2	1.1
Cash flow from operating activities before change in working capital	-5.0	-6.6	-24.7
<u>Cash flow from change in working capital</u>			
Decrease/increase (-) in receivables	-0.2	-2.4	-0.1
Decrease(-)/increase in current liabilities	-3.6	0.9	4.3
Net cash flow used in operating activities	-8.8	-8.1	-20.5
Cash flow from investment activities			
Acquisitions of tangible fixed assets	0.0	0.0	-0.4
Acquisitions of intangible fixed assets	-2.4	-	-14.8
Net cash flow used in investment activities	-2.4	0.0	-15.2
Cash flow from financing activities			
Option premiums	0.0	-	0.0
Sale of treasury shares	-	-	9.4
New issue	-	-	9.9
Cash flow from financing activities	0.0	0.0	19.3
Cash flow for the period	-11.2	-8.1	-16.4
Liquid assets, at start of period	28.1	44.5	44.5
Liquid assets, at end of period	16.9	36.4	28.1

Key Figures

	<u>3 mth</u> 2005 Jan - Mar	<u>3 mth</u> 2004 Jan – Mar	<u>12 mth</u> 2004
Return on capital employed, %	neg	neg	neg
Return on equity, %	neg	neg	neg
Equity/assets ratio, %	91.5	92.1	85.7
Net debt/equity ratio, multiple	-0.46	-0.87	-0.67
Proportion of risk-bearing capital, %	91.5	92.1	85.7
Cash flow, SEK m	-11.2	-8.1	-16.4*
Net investments in tangible fixed assets, SEK m	0.0	0.0	0.4
Total research and development, SEK m	2.1	4.0	12.2
Salaries, remuneration and soc sec costs, SEK m	2.1	2.0	8.1
Average no. of employees	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.