



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

- The loss after tax was SEK -11.0 million (-13.9 m).
- Research and development costs were SEK 4.5 million (6.9 m), with an additional SEK 4.4 million capitalised in the first half-year 2005.
- As yet, the company has no operating income, and thus, had no net sales in the period.
- Earnings per share were SEK -0.73 (-1.11).
- After the end of the period, 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.
- Listing of the warrants F and G on the Stockholm Stock Exchange will take place on 29 August 2005.
- All practical details ahead of alphaHGA's phase I/II trial have been prepared.
- All remaining treasury shares were divested.
- A new series E stock option plan was inaugurated.

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. 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[®] 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 practical details ahead of the first clinical trial of alphaHGA on HIV-infected patients (termed a phase I/II trial) were prepared in the period. This trial will be conducted at Ramathibodi hospital, which in turn collaborates with Mahidol University of Bangkok, one of Thailand's pre-eminent institutions.

ChronVac-C®—Therapeutic Hepatitis C Vaccine

Tripep was granted its first patent related to the therapeutic vaccine ChronVac-C® in the first quarter 2005 and acquired the commercial rights for a transgenic mouse model developed in collaboration with researchers at the Karolinska Institute. In the second quarter, Tripep worked actively towards completing the development of its ChronVac-c® vaccine and on commercializing the transgenic mouse 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). 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 47 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

Board of Directors

The AGM (Annual General Meeting) on 6 April 2005 approved Directors' fees of SEK 450,000, to be divided pursuant to Board decision. No fees are payable to those Board members that are employed by, or have comparable assignments with, Tripep.

Board

The AGM on 6 April 2005 elected the following Board members Rolf L. Nordström, Anders Vahlne, Matti Sällberg, William W Hall, Yiming Shao (all re-elected) and Thomas Lynch (elected). Rolf L. Nordström was re-elected Chairman.

Profit/loss

The loss after financial items amounted to SEK -5.8 (-7.1) m for the second quarter and SEK -11.0 (-13.9) m for the first half-year 2005.

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

Operating costs were SEK 5.8 (7.1) m for the second quarter and SEK 11.0 (14.4) m for the first half-year 2005.

	Apr-Jun 2005 (2004)	Jan-Jun 2005 (2004)
Research and development costs, SEK m	2.4 (2.9)	4.5 (6.9)
Of which ext'n'l researchers & subcontractors, SEK m	1.9 (2.5)	3.7 (6.1)

Intangible Assets

During the second quarter 2004, the alphaHGA project entered its clinical development phase, SEK 2.0 (3.1) m of expenditure arising on this project was capitalised in the second quarter and SEK 4.4 (3.1) m in the first half-year 2005.

Investments

	Apr-Jun 2005 (2004)	Jan-Jun 2005 (2004)
Net investments in equipment, SEK m	0.1 (0.2)	0.1 (0.2)

Financial Fixed Assets

The company's financial fixed assets were written down by SEK 0.1 m in the second quarter and by SEK 0.2 m in the first half-year 2005.

Financial Position

The company's liquid assets, including short-term investments, amounted to SEK 9.9 (25.2) m as of 30 June 2005.

The market value of short-term investments in fixed-income and yield funds amounted to SEK 5.6 (23.1) m as of 30 June 2005.

As of 30 June 2005, shareholders' equity was SEK 33.3 (34.6) 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.

Current non-interest bearing liabilities amounted to SEK 3.5 (3.9) m as of 30 June 2005.

Sale of Treasury Shares

Pursuant to AGM approval, Tripep sold all its remaining 256,345 treasury shares in June 2005 to a private investor at a price of SEK 8.50 per share, a price based on Tripep's average quoted share price on the Stockholm Stock Exchange in the ten trading days immediately preceding the divestment.

Warrants

Pursuant to an AGM resolution, the company introduced a new series E stock option plan encompassing a total of 310,000 options. Board member Thomas Lynch was apportioned 250,000 options and Professor William G. Powderly, a member of the company's Scientific Advisory Board, was apportioned 60,000 options, for which they paid a market price.

Extraordinary General Meeting

Tripep's EGM on 9 June 2005 approved the Board's decision on 23 May 2005 to conduct a new issue with preferential rights for shareholders. For more information, please refer to 'Events after the End of the Period' section below.

The Meeting also approved the Board to resolve on new issues of a maximum of 2 million shares on one or more occasions before the next AGM, and additionally, to be able to resolve waiving shareholders' preferential rights.

Significant Events after the End of the Period

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 are 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 in the period 1 August 2005 - 31 August 2006.

Listing of the warrants F and G on the Stockholm Stock Exchange will take place on 29 September 2005.

As a consequence of the new issue a recalculation of the exercise price for Warrants B-E will be done in accordance with the terms and conditions for these warrants:

Serie	Current exercise price	New exercise price	Current no. of shares that each warrant entitles to subscribe	New no. of shares that each warrant entitles to subscribe
B	157.30	146.40	1	1.08
C	57.30	53.30	1	1.08
D	20.20	18.80	1	1.08
E	21.50	20.00	1	1.08

Remuneration and benefits to the Chief Executive Officer

The conditions of employment have been renegotiated for the Chief Executive Officer, Jan Nilsson, and will be effective as of 1 October 2005. Jan Nilsson will draw a fixed monthly salary of SEK140,000. In addition to this, the company will pay pension premiums of SEK493,000 on a yearly basis. The contract is subject to six months notice by either party. Mr. Nilsson does not possess rights to any severance pay.

Forthcoming Reports

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

28 October 2005
27 January 2006

Huddinge, Sweden, 26 August 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 adoption of RR 32 did not have any effect on Tripep.

Income Statement

SEK m	<u>3 mth.</u> 2005 Apr - Jun	<u>3 mth.</u> 2004 Apr - Jun	<u>6 mth.</u> 2005 Jan - Jun	<u>6 mth.</u> 2004 Jan - Jun	<u>12 mth.</u> 2004
Net sales	0	0	0	0	0
Other operating income	0	0	0	0	0.1
Total operating income	0	0	0	0	0.1
<u>Operating costs</u>					
Research and development costs	-0.5	-0.4	-0.8	-0.8	-1.8
External research and development costs	-1.9	-2.5	-3.7	-6.1	-10.4
Other external costs	-1.1	-1.1	-2.0	-2.2	-5.2
Payroll costs	-2.2	-2.8*	-4.3	-4.8*	-8.1*
Depreciation of tangible fixed assets	-0.1	-0.3	-0.2	-0.5	-1.0
Total operating costs	-5.8	-7.1	-11.0	-14.4	-26.5
Operating profit/loss	-5.8	-7.1	-11.0	-14.4	-26.4
<u>Profit from financial investments</u>					
Write-down of financial fixed assets	-0.1	-	-0.2	-	-0.1
Change in short-term investments	0.1	0.1	0.2	0.6	0.5
Interest income and similar profit/loss items	0.0	0.0	0.0	0.0	0.2
Interest costs and similar profit/loss items	-0.0	-0.1	-0.0	-0.1	-0.0
Total profit from financial investments	0.0	0.0	0.0	0.5	0.6
Profit after financial items**	-5.8	-7.1	-11.0	-13.9	-25.8
Tax on net profit/loss	0	0	0	0	0
Net profit/loss for the period	-5.8	-7.1	-11.0	-13.9	-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> 2005 Apr - Jun	<u>3 mth.</u> 2004 Apr - Jun	<u>6 mth.</u> 2005 Jan - Jun	<u>6 mth.</u> 2004 Jan - Jun	<u>12 mth.</u> 2004
Earnings before dilution	-0.38	-0.57	-0.73	-1,11	-2,06
Earnings after dilution	-0.38	-0.57	-0.73	-1,11	-2,06
Outstanding average number of shares	15,050,621	12,493,655	15,022,138	12 493 655	12 520 537
No. of outstanding shares, opening balance	14,993,655	12,493,655	14,993,655	12 493 655	12 493 655
Buy-back of treasury shares	-	-	-	-	-
Sale of treasury shares	256,345	-	256,345	-	1 100 000
New issue of shares	-	-	-	-	1 400 000
Outstanding number of shares, closing balance	15,250,000	12,493,655	15,250,000	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 as of June 30 2005 (the terms have been recalculated after the end of the period, see page 4)

	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
Series E	310,000	0	250,000	60,000	0.30	21.50	15 Oct. 2007 – 15 Apr. 2008
Total	2,160,000	432,000	743,200	984,800			

Balance Sheet

SEK m	30 Jun 2005	30 Jun 2004	31 Dec 2004
Intangible fixed assets	19.2	3.1	14.8
Tangible fixed assets	0.6	1.0	0.7
Financial fixed assets	3.6	3.9	3.8
Current receivables	3.5	5.3	1.6
Liquid assets	9.9	25.2	28.1
Total assets	36.8	38.5	49.0
Shareholders' equity (see note below)	33.3	34.6	42.0
Current non interest-bearing liabilities	3.5	3.9	7.0
Total liabilities and shareholders' equity	36.8	38.5	49.0

Statement of Changes to Shareholders' Equity

	30 Jun 2005	30 Jun 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 1,400,000 shares	-	-	9.9*
Net profit/loss	-11.0	-13.9	-25.8
Shareholders' equity, closing balance	33.3	34.6	42.0

* Including transaction cost of SEK 2.0 m

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

Shareholders' Equity per Share

	30 Jun 2005	30 Jun 2004	31 Dec 2004
Shareholders' equity before dilution, SEK	2.18	2.77	2.80
Shareholders' equity after full conversion, SEK	6.21	7.61	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-Jun 2005	Jan-Jun 2004	Jan-Dec 2004
Cash flow from operating activities			
Net profit/loss	-11.0	-13.9	-25.8
Depreciation and write-downs	0.5	0.5	1.1
Cash flow from operating activities before change in working capital	-10.5	-13.4	-24.7
<u>Cash flow from change in working capital</u>			
Decrease/increase (-) in receivables	-1.9	-3.8	-0.1
Decrease(-)/increase in current liabilities	-3.5	1.2	4.3
Net cash flow used in operating activities	-15.9	-16.0	-20.5
Cash flow from investment activities			
Acquisitions of tangible fixed assets	-0.1	-0.2	-0.4
Acquisitions of intangible fixed assets	-4.5	-3.1	-14.8
Net cash flow used in investment activities	-4.6	-3.3	-15.2
Cash flow from financing activities			
Option premiums	0.1	0.0	0.0
Sale of treasury shares	2.2	0.0	9.4
New issue	0.0	0.0	9.9
Cash flow from financing activities	2.3	0.0	19.3
Cash flow for the period	-18.2	-19.3	-16.4
Liquid assets, at start of period	28.1	44.5	44.5
Liquid assets, at end of period	9.9	25.2	28.1

Key Figures

	<u>3 mth.</u> 2005 Apr - Jun	<u>3 mth.</u> 2004 Apr - Jun	<u>6 mth.</u> 2005 Jan - Jun	<u>6 mth.</u> 2004 Jan - Jun	<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, %	90.5	89.9	90.5	89.9	85.7
Net debt/equity ratio, multiple	-0.30	-0.73	-0.30	-0.73	-0.67
Proportion of risk-bearing capital, %	90.5	89.9	90.5	89.9	85.7
Cash flow, SEK m	-7.0	-11.2	-18.2	-19.3	-16.4*
Net investments in tangible fixed assets, SEK m	0.1	0.2	0.1	0.2	0.4
Total research and development, SEK m	2.4	2.9	4.5	6.9	12.2
Salaries, remuneration and soc sec costs, SEK m	2.2	2.8	4.3	4.8	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.