



## **Tripep AB (publ) – Interim Report for the period January-June 2002**

- Continued work on GPG and its metabolite has made it clear that the company currently has no candidate drug in the HIV field.
- The collaboration with Ipsat has been broken off by Ipsat owing to the actions of shareholders Rolf Nordström, Anders Vahlne, Peter Horal, Bo Svennerholm and Matti Sällberg
- The bid from Diamyd submitted on 20 June 2002 has been rejected by shareholders representing 55 per cent of the shares.
- Financier and property owner Rolf Nordström, and researchers Anders Vahlne, Peter Horal, Bo Svennerholm and Matti Sällberg, who together represent around 40 per cent of the shares and votes, have requested an extraordinary shareholders' meeting on 17 September 2002 with a view to electing a new Board of Directors. Attorney Erik Nerpin, Rolf Nordström, Matti Sällberg and Anders Vahlne have been proposed for election to the Board.
- The current Board of Directors proposes to sell the assets and use the proceeds to repay shareholders. Board members Harry Faulkner, Johan Malmsten and Lars Lindegren are standing for re-election and will be supplemented by the election of attorney Otto Rydbeck, the company's legal advisor.

### **Extraordinary shareholders' meeting on 17 September 2002**

Five shareholders, together representing 5,494,400 shares or the equivalent of around 40 per cent of the company's shares, have requested an extraordinary shareholders' meeting to discuss the question of electing a new Board of Directors.

The Board of Tripep AB (publ) has therefore called an extraordinary shareholders' meeting on 17 September 2002 at 18.00 at Näringslivets hus, Storgatan 19 in Stockholm.

They have put forward Erik Nerpin and Matti Sällberg for election to the new Board, in addition to Nordström and Vahlne. The group has previously stated that its members intend to promote the payment of dividends or equivalent of SEK 7.50 per share, a proposal previously made by the current Board.

Among other things, the group intends to pursue Tripep's basic research activities in the company's pre-clinical projects. It has also recently stated that its members intend to make every effort to ensure that as large a sum as is permitted, once the capital requirements for a three-year period of operations have been secured, is distributed to shareholders, either in the form of dividends or the redemption of shares. They can therefore no longer actively promote the payment of dividends or similar of SEK 7.50 per share.

*The current Board is firmly convinced that the best option for the company's shareholders in the prevailing situation is to request the remission of the loan from Industrifonden of SEK 20 million and then sell the company's assets and use the proceeds to repay its shareholders.*

In contrast to previous notifications, the members of the current Board who are not employed by the company, i.e. Board members Harry Faulkner, Johan Malmsten and Lars Lindegren, have decided to stand for re-election, and will be supplemented on the Board by the election of attorney Otto Rydbeck. Should these four people be elected to the new Board, they intend to make every effort to ensure the implementation of the current Board's proposals to sell the company's assets and use the proceeds at the earliest possible date to repay the shareholders. Barring unforeseen difficulties, this should mean that each shareholder would receive around SEK 8.50 per share no later than Q2 2003. This is however conditional on the application for and granting of a remission of the company's SEK 20 million loan from Industrifonden. This loan was granted for the partial financing of the GPG project. If the loan is not remitted, either wholly or in part, the amount that can be paid to shareholders will be correspondingly lower.

### **Diamyd Medical's bid**

On 20 June 2002, Diamyd Medical AB (publ) made a bid for Tripep AB (publ), which was conditional on more than 50 per cent of Tripep AB's shareholders redeeming their shares. Shareholders representing around 55 per cent of the number of outstanding shares do not support Diamyd Medical AB's (publ) bid for Tripep AB (publ). The Board of Tripep AB (publ) therefore noted that the conditions stipulated by Diamyd Medical AB (publ) could not be met.

### **Collaboration with Ipsat terminated**

On 6 June 2002, Tripep published a collaboration agreement with Ipsat Therapies Oy, a Finnish biotechnology company. The companies planned to pursue the joint development of a completely new type of drug that will prevent the formation and spread of multi-resistant bacteria in connection with treatment with antibiotics.

Five of the company's shareholders, Rolf Nordström, Anders Vahlne, Peter Horal, Bo Svennerholm and Matti Sällberg, made it known that they were opposed to the investment in Ipsat Therapies Oy, and, in view of the prevailing uncertainty, Ipsat Therapies Oy has declined further collaboration.

### **The operations**

#### **GPG**

During the preparations for the pharmacological study of GPG and its active metabolite on pigs, certain problems were noted in connection with the way the substance metabolised in pig's blood, and the study was therefore not completed. These findings also mean that toxicological studies on pigs used as the main reference material for the assessment of GPG's safety can no longer be used, since the metabolism of this species differs from that of humans.

The Board has thus been forced to note that GPG was used on a total of 51 patients in two clinical studies with no proven effect. The effect obtained in 5 of the patients at CTN 001 phase I/II must be viewed as highly uncertain, since no patients responded in the subsequent CTN 002 study. Subsequent work has shown that GPG is metabolised immediately in humans. The metabolite formed was active in vitro, but has apparently had no effect on human HIV. The company thus currently has no candidate drug in the HIV field.

Any continued basic research could perhaps lead to the identification of a new candidate drug that could hopefully be patented. Should this work be successful, however, it will be many years before any results are obtained that might be relevant from the industrial point of view.

#### **Vaccines**

##### **ChronVac-C™ – Hepatitis C - therapeutic vaccine**

The problem of developing a drug targeting hepatitis C is that, like HIV, this virus constantly mutates (changes), thereby evading the immune system. Tripep's researchers have therefore focused their research on trying to develop a molecule based on the stable parts of the Hepatitis C virus, i.e. parts that are not altered by mutations. The discovery made by Tripep's researchers results, in model systems, in an immune response that is considerably better than that reported by other research groups. Development of the molecule and of the administration forms has yielded excellent results and a candidate drug has been selected. Tripep has commenced work on finding a partner for the continued preclinical development. The patent situation is however extremely complex

### **CarryVac-HIV 1**

The amino-acid sequences patented by Tripep are being used in research into a prophylactic HIV vaccine, as well as a therapeutic vaccine to be used in combination with inhibitory agents. Collaboration in this field is under way with the Vaccine Research Institute of San Diego, from which Tripep has inlicensed a very promising carrier technology which will probably lead to a far better immune response than existing technologies. Tests are being performed on the first of Tripep's virus sequences. The development work focusing on further components of this multivalent vaccine is under way. The first component has been developed and the immunisation of mice with this component has yielded positive results in vitro when it comes to inhibiting HIV.

### **RAS™, Redirecting Antibody Specificity**

#### **Staphylococcus aureus**

Research is under way on a unique method of attacking resistant staphylococci that cause nosocomial (hospital-acquired) infections. A number of promising substances have been identified for evaluation in in-vivo models that will simulate a clinical situation. The optimisation of these substances is under way, and the models are also being developed for "proof of concept" purposes.

*All projects are currently at the basic research stage and it will be many years before finished products may be available.*

### **Patents**

At the end of the period, the company had 13 registered patents and 53 patents pending.

In the light of the results that have emerged, the capitalised value of the GPG and PPI patents has been written off in its entirety (SEK 2.9 million). Remaining patents are still deemed by the company to have a commercial value at least equal to their book value.

### **Human resources**

At the end of the period, the company had 14 employees (17 the previous quarter). Since the end of the period, 8 employees have left the company or reached agreements about leaving the company, and one part-time employee has joined the company, giving a total of 3 full-time employees and 4 part-time employees.

As previously announced, the President and CEO will be leaving his position once the extraordinary shareholders' meeting is held. According to his employment contract, the President and CEO has a 6-month period of notice during which he is entitled to his full salary. He is also entitled to 18 months' severance pay, bringing the total to 24 months.

A special agreement has been reached whereby the President and CEO will receive a one-off payment corresponding to 20 monthly salaries, reduced by 10 per cent. Payment will be made when his duties are terminated. The Board's view is that a one-off payment consisting of his salary during the notice period and his severance

pay is not detrimental to the company, since the nominal amount is then reduced. The company's auditor shares the view of the Board that the reduction in the total amount comprising salary during the notice period plus severance pay involved in this one-off payment is reasonable and financially advantageous from the company's point of view.

### **Change to the Board of Directors**

Anders Vahlne, ordinary member of the Board of Tripep AB (publ), resigned from the company's Board on 11 June 2002 with immediate effect.

### **Financial results**

The company does not yet have any revenue.

Operating expenses came to SEK 22.7 million (SEK 14.2 m) in Q2 and SEK 34.5 million (SEK 30.9 m) for the first half of 2002.

SEK million	April-June 2002 (2001)	Jan.-June 2002 (2001)
Research and development costs	6.6 (6.2)	9.4 (11.1)
Of which external researchers and sub-contractors	5.2 (5.4)	7.7 (9.7)

The accounts include allocations of SEK 6.0 million for costs for the phasing out of staff.

The loss after net financial items came to - SEK 21.3 million (- SEK 13.9 m) in Q2 and to - SEK 32.5 million (- SEK 28.5 m) for the first half of 2002.

### **Investments**

	April-June 2002 (2001)	Jan.-June 2002 (2001)
Net investments in equipment, SEK million	0.2 (0.7)	-0.4 (1.1)

### **Write-downs**

In connection with the semi-annual accounts, Tripep has reviewed all capitalised patent expenditure. In the light of the results that have emerged in recent months, the capitalised value of the GPG and PPI patents has been written off in its entirety (SEK 2.9 million). The remaining patents are still deemed by the company to have a commercial value at least equal to their book value.

### **Financial status**

The company's liquid assets, including short-term investments, totalled SEK 136.2 million on 30 June 2002 (SEK 145.1 m on 31 March 2002). In addition, there is a granted but as yet unutilised conditional loan of SEK 15 million from Stiftelsen Industrifonden. Since it is now clear that Tripep will not be conducting in-house phase III trials on GPG, the remaining part of the conditional loan cannot be utilised. This means that 75,000 warrants held by Industrifonden will be returned to the company's ownership.

The 2002 AGM decided to reduce the share premium reserve and transfer the sum to non-restricted equity. The AGM's resolution concerning the reduction was conditional on permission being granted by the Swedish district court.

On 7 August 2002, Industrifonden opposed the company's application for the reduction because of Industrifonden's claim against the company for SEK 20 million plus accrued interest. In order to be able to implement the AGM's resolution, the Board has therefore set aside blocked funds of SEK 20 million plus interest for the fulfilment of the loan agreement with Industrifonden.

This means that there is currently nothing to prevent the Swedish district court from granting permission for a reduction in the share premium reserve and the transfer of the funds to non-restricted equity. These funds can then be returned to the shareholders in the form of dividends or the redemption of shares, should the shareholders' meeting so decide.

The Industrifonden loan of SEK 20 million includes a remission clause whereby the company can apply for the loan to be waived on certain conditions. If the loan is remitted, the convertible debenture will be transferred to the company's shareholders' equity. The current Board has drawn up an application for the loan to be remitted. According to the current Board, this application should be submitted after the extraordinary shareholders' meeting on 17 September 2002.

The market value of short-term investments in fixed-income funds and fixed-yield investments came to SEK 130.8 million on 30 June.

Shareholders' equity on 30 June 2002 totalled SEK 112.7 million (SEK 134.0 m on 31 March 2002). The company's share capital totals SEK 2,770,000 and is divided among 13,850,000 shares with a nominal value of SEK 0.20 each.

In addition, warrants have been issued corresponding to a total of 2,021,120 shares, of which the company owns 432,000. Of the warrants issued, 550,000 carry a redemption price of SEK 160, and 550,000 carry a redemption price of SEK 60.

Bearing in mind the company's current share price, it must be regarded as unlikely that these warrants will be exercised. In addition, it is likely that the 75,000 warrants held by Industrifonden will be returned to the company's ownership.

Current non interest-bearing liabilities came to SEK 11.3 million on 30 June 2002; SEK 6.7 million of this sum is made up of allocations for accrued costs.

**Financial calendar**

Q3 interim report 2002  
Year-end report for 2002

Wednesday 23 October 2002  
Friday 31 January 2003

Huddinge, 29 August 2002  
Tripep AB (publ)

Hans Möller  
President and CEO

**Audit report**

We have performed a general review of this semi-annual report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants (FAR). A general review is considerably more limited than an audit. Nothing has emerged to indicate that this semi-annual report does not meet the requirements of Swedish stock exchange legislation and the Swedish Annual Accounts Act.

Stockholm  
29 August 2002

Ernst & Young AB

Anders Wiger  
Authorised Public Accountant

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## Accounting principles

This interim report complies with the Swedish Annual Accounts Act and recommendation RR20 (Interim reports) of the Swedish Financial Accounting Standards Council (Redovisningsrådet). The same accounting principles as those used in the 2001 annual report have been applied, and the new recommendations of the Swedish Financial Accounting Standards Council that came into force on 1 January 2002 have been observed.

These recommendations are RR 21 (Loan costs) and RR 23 (Details concerning associates). The recommendations adopted have had no impact on the profit/loss figures and financial position of the company compared with the principles previously applied.

### Income Statement

SEK million	<u>3 months</u> 2002 April – June	<u>3 months</u> 2001 April– June	<u>6 months</u> 2002 Jan. – June	<u>6 months</u> 2001 Jan. – June	<u>12</u> <u>months</u> 2001
Net sales	0	0	0	0	0
Other operating income	0	0	0	0	0
<b>Gross income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<u>Operating expenses</u>					
Research and development costs	-1.4	-0.8	-1.7	-1.4	-5.3
External research and development costs	-5.2	-5.4	-7.7	-9.7	-29.3
Other external costs	-3.3	-3.8	-5.6	-12.0	-12.4
Payroll costs	-3.7	-4.0	-8.0	-7.5	-16.5
Close-down costs	-6.1	0	-8.2	0	0
Depreciation of tangible fixed assets	-0.2	-0.2	-0.4	-0.3	-0.5
Write-down of intangible fixed assets	-2.9	0	-2.9	0	-2.2
Other operating expenses	0.1	0	0	0	-2.4
Total operating expenses	-22.7	-14.2	-34.5	-30.9	-68.6
<b>Operating loss</b>	<b>-22.7</b>	<b>-14.2</b>	<b>-34.5</b>	<b>-30.9</b>	<b>-68.6</b>
<u>Income from financial investments</u>					
Change in short-term investments	1.8	1.3	3.2	3.6	2.3
Interest income and similar profit/loss items	0.1	0.1	0.1	0.2	5.7
Interest expenses and similar profit/loss items	-0.5	-1.1	-1.3	-1.4	-1.6
Total income from financial investments	1.4	0.3	2.0	2.4	6.4
<b>Income after financial items</b>	<b>-21.3</b>	<b>-13.9</b>	<b>-32.5</b>	<b>-28.5</b>	<b>-62.2</b>
Tax	0	0	0	0	0
<b>Loss for the period</b>	<b>-21.3</b>	<b>-13.9</b>	<b>-32.5</b>	<b>-28.5</b>	<b>-62.2</b>



## Earnings Per Share

SEK	<u>3 months</u>	<u>3 months</u>	<u>6 months</u>	<u>6 months</u>	<u>12</u>
	2002	2001	2002	2001	<u>months</u>
	April –	April–	Jan. –	Jan. –	2001
	June	June	June	June	
Earnings before dilution	-1.54	-1.03	-2.34	-2.07	-4.52
Earnings after full dilution	-1.54	-1.03	-2.34	-2.07	-4.52
Dividends	-	-	-	-	-

## Balance Sheet

SEK million	30 June 2002	30 June 2001	31 December 2001
Intangible fixed assets	3.3	4.8	5.3
Tangible fixed assets	2.7	3.2	3.5
Current <b>receivables</b>	1.8	3.5	3.8
Liquid assets	136.2	193.2	157.3
<b>Total assets</b>	<b>144.0</b>	<b>204.7</b>	<b>169.9</b>
Shareholders' equity (see note below)	112.7	178.8	145.2
Conditional loan	20.0	20.0	20.0
Current non interest-bearing liabilities	11.3	5.9	4.7
<b>Total shareholders' equity and liabilities</b>	<b>144.0</b>	<b>204.7</b>	<b>169.9</b>

Note. Change in shareholders' equity

	30 June 2002	30 June 2001	31 Dec. 2001
Shareholders' equity at start of period	145.2	207.1	207.1
Warrants sold	-	0.2	0.2
New share issue	-	-	0.0
Loss for the period	-32.5	-28.5	-62.2
Shareholders' equity at end of period	112.7	178.8	145.2

## Per-Share Data

	30 June 2002	30 June 2001	31 December 2001
Shareholders' equity before dilution, SEK	8.14	13.01	10.48
Shareholders' equity after dilution, SEK	7.10	11.27	9.15
Average number of shares outstanding	13,850,000	13,750,000	13,758,333

## Cash Flow Statement

SEK million	Jan.-June 2002	Jan.-June 2001	Jan.-Dec. 2001
<b>Cash flow from operating activities</b>			
Income after net financial items	-32.5	-28.5	-62.2
Depreciation and write-downs	3.3	0.3	2.7
Capital gains/losses	0.0	-	0.0
<b>Cash flow from operating activities before changes in working capital</b>	<b>-29.2</b>	<b>-28.2</b>	<b>-59.5</b>
<u>Cash flow from changes in working capital</u>			
Decrease in receivables	2.0	0.8	0.6
Decrease/increase in current liabilities	6.6	-0.0	-0.9
<b>Cash flow from operating activities</b>	<b>-20.6</b>	<b>-27.4</b>	<b>-59.8</b>
<b>Cash flow from investment activities</b>			
Acquisition of tangible fixed assets	0.4	-1.1	-1.9
Acquisition of intangible fixed assets	-0.9	-0.9	-3.6
<b>Cash flow from investment activities</b>	<b>-0.5</b>	<b>-2.0</b>	<b>-5.5</b>
<b>Cash flow from financing activities</b>			
Warrants	0.0	0.2	0.2
<b>Cash flow from financing activities</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>
<b>Cash flow for the period</b>	<b>-21.1</b>	<b>-29.2</b>	<b>-65.1</b>
Liquid assets at start of period	157.3	222.4	222.4
<b>Liquid assets at end of period</b>	<b>136.2</b>	<b>193.2</b>	<b>157.3</b>

## Key Figures

	<u>3 months</u> 2002 April- June	<u>3 months</u> 2001 April- June	<u>6 months</u> 2002 Jan. – June	<u>6 months</u> 2001 Jan. – June	<u>12</u> <u>months</u> 2001
Return on capital employed, %	neg	Neg	neg	neg	neg
Return on shareholders' equity, %	neg	Neg	neg	neg	neg
Equity/assets ratio, %	78.3	88.9	78.3	88.9	85.5
Debt/equity ration, net, multiple	-1.03	-0.84	-1.03	-0.84	-0.66
Share of risk-bearing capital, %	78.3	88.9	78.3	88.9	85.5
Cash flow, SEKm	-8.9	-15.3	-21.1	-29.1	-65.1
Net capital expenditure, SEKm	0.2	0.7	-0.4	1.1	1.9
Total research & development expenditure, SEKm	6.2	8.1	9.4	11.1	34.6
Salaries, remuneration and social security charges, SEKm	3.7	4.0	8.0	7.5	16.5
Average number of employees	16	19	18	19	22
Average number of full-time staff	31	41	34	41	44