



Tripep AB (publ) – Interim Report for the period January-September 2002

- A new Board of Directors was elected at the extraordinary shareholders' meeting held on 17 September 2002. The new Board consists of Rolf L. Nordström, Erik Nerpin, Matti Sällberg and Anders Vahlne.
- At the following Board meeting on 17 September, Rolf L. Nordström was appointed Chairman of the Board and Johan Ihre became the new President and CEO.
- A candidate drug (CD) has been identified within the ChronVac-C™-project. Preparations have begun for the clinical phase, and discussions are also under way with industrial partners.
- Research is continuing into the antiviral activity of GPG and its metabolites.
- Talks are being held with several partners concerning the consolidation of the operations.
- Discussions are also under way with potential partners concerning acquisition of clinical projects.
- An application for remission of the loan from Industrifonden has been submitted.
- The Swedish district court has granted permission for a reduction in the share premium reserve and transfer to non-restricted equity.
- The burn-rate has been substantially reduced.
- The Board of Directors stands by the statement issued at the extraordinary shareholders' meeting held on 17 September concerning a substantial dividend or other form of repayment to the shareholders, and the options at hand are being investigated.

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

- *research and development of a potential HIV-inhibiting drug,*
- *preclinical research focusing on the development of therapeutic and prophylactic vaccines against HIV and Hepatitis C, and*
- *the RAS™ technology platform.*

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

The operations

GPG and its metabolites

The company's last interim report stated incorrectly that no patient in the CTN002 Phase II study had responded with significantly lower blood levels of HIV. The correct phrasing should have been that 5/15 patients responded in CTN001 and 4/37 in CTN002. Work is currently under way to ascertain why certain individuals responded to the treatment while the majority did not. During quality-assurance work on an analytical method that allows the levels of both GPG and one of its metabolites for which a patent is pending to be measured directly in the blood, it was discovered that trial animals and humans modify GPG and its metabolite in different ways. The reasons for this difference are currently being assessed, as is the extent to which the results obtained affect the relevance of the toxicological studies performed. This work will be crucial to the future focus of the project.

Vaccines

ChronVac-C™ – Hepatitis C - Therapeutic vaccine

The problem of developing a drug targeting hepatitis C is that, like HIV, this virus constantly changes (mutates), thereby evading the immune system. Tripep's researchers have therefore focused their research on trying to produce an immune reaction to the stable parts of the Hepatitis C virus, i.e. parts that cannot be altered by mutations. In model systems, the discovery made by Tripep's researchers results 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 (CD) has been selected. Preparations have begun for the clinical phase. Discussions are currently under way with potential partners for the clinical development and commercialisation of this product.

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 (VRISD), from which Tripep has inlicensed a new carrier technology that produces a far better immune response than the usual technologies. Tests are being performed on the first of Tripep's virus sequences on the surface of the carrier molecule. The first component has been developed, and the immunisation of mice with this component yielded HIV-inhibiting antibodies that are active against all the different HIV strains tested. The development work focusing on further components of this vaccine is under way.

RAS™, Redirecting Antibody Specificity

Staphylococcus aureus

Research is under way on a unique method of attacking resistant staphylococci that cause nosocomial (hospital-acquired) infections. The RAS™ molecules are short peptides (consisting of around 20 amino acids) that redirect the blood's existing antibodies against polio, for example, so that they instead recognise and neutralise the

bacteria that cause nosocomial infections. A number of interesting RASTM peptides that serve as adapters between polio antibodies and staphylococci has been identified. The optimisation of these peptides has yielded positive results and will be evaluated in in-vivo trials using mouse models and simulating a clinical situation.

Patents

Tripep's strategy is to protect its patents in the regions of the world that are important to the company, i.e. North America, Europe and Asia.

During this period, one further patent for the company's RAS platform technology was registered and six patent applications were submitted.

At the end of Q3, the company had 14 registered patents and 59 patents pending.

Collaboration agreements

Tripep's strategy is to develop parts of the company's project portfolio with partners who are able to contribute both expertise and other resources.

Tripep has collaboration agreements with the Vaccine Research Institute of San Diego concerning the development of a vaccine against HIV and another against Hepatitis C.

As previously stated, active efforts are being made to reach collaboration agreements with established pharmaceutical companies for the preclinical and clinical development of the therapeutic Hepatitis C vaccine, ChronVac-CTM. Collaboration has commenced with Professor Peter Liljeström with regard to using his patented carrier technology. The ChronVac-CTM-gene has been incorporated into this vector. Vaccine studies on mice are under way and have yielded positive results.

Publications

A scientific article describing the development of the first generation of the ChronVac-CTM gene was accepted for publication by the highly regarded journal Gene Therapy and is due to be published in 2003.

Human resources

At the end of the period, the company had 8 employees (14 in the previous quarter). Of these employees, 5 work full-time.

Remuneration and benefits for senior executives

Top management (all remuneration is fixed)

To the company's former President and CEO, Hans Möller, who was given notice 8 May 2002, has been paid a salary of SEK 1,2 million as well as SEK 1,8 million in severance pay, in addition to which his occupational pension of SEK 0,4 million was paid. The terms and conditions of his employment contract were re-negotiated during the summer, when the clause stipulating deduction of income from new employment/private business activities was removed. At the same time, an agreement was also reached that a one-off payment would be made instead of payment over 18 months, as previously agreed. The amount was discounted using an interest rate of 6.5% and paid in cash on 9 September .

A contract is currently being drawn up with the new President and CEO.

Other senior executives (all remuneration is fixed)

Over the period 1 January 2002 to 17 September 2002, salaries totalling SEK 3.0 million were paid to the former management group (3 people), including the salaries of 2 of these 3 senior executives during their period of notice. In addition, total occupational pensions of SEK 0.3 million were paid.

Total salaries of SEK 0.1 million have been paid to the current management group (3 people) over the period 18 September 2002 to 30 September 2002.

Changes to the Board of Directors and President

A new Board of Directors was elected at the extraordinary shareholders' meeting held on 17 September 2002. Director Rolf L Nordström, Attorney-at-Law Erik Nerpin, Professor Anders Vahlne and Professor Matti Sällberg were all elected to the Board.

At the following Board meeting on 17 September, Rolf L Nordström was appointed Chairman of the Board.

At the same meeting, the Board of Directors decided to appoint Johan Ihre as the new President and CEO.

Financial results

The Q3 loss after net financial items came to SEK -6.4 million (SEK -11.5 m), while the figure for the first nine months of 2002 came to SEK -38.9 million (SEK -40.2 m).

The company does not yet have any revenue.

Operating expenses came to SEK 8.1 million (SEK 13.9 m) for Q3 and SEK 42.6 million (SEK 45.0 m) for the first nine months of 2002.

During Q2 and Q3, extraordinary expenses for such items as severance pay/notice periods without obligatory attendance, as well as for the lawyers' fees involved in the Ipsat deal and the extraordinary shareholders' meeting, came to around SEK 7.7 million.

	July-Sep.		Jan.-Sep.	
	2002	(2001)	2002	(2001)
Research and development costs, SEK million	2.2	(9.3)	11.6	(23.5)
of which external researchers and sub-contractors, SEK million	1.9	(8.7)	9.6	(21.8)

Investments

	July-Sep.		Jan.-Sep.	
	2002	(2001)	2002	(2001)
Net investments in equipment, SEK million	0.0	(0.1)	-0.4	(3.4)

Write-downs

When assessing the capitalisation of development costs, the company has chosen from now on only to capitalise these when projects have reached clinical phase.

This means that previously capitalised development costs of SEK 3.4 million have now been booked as costs, which means that capitalised development expenditure is now SEK 0.

Financial position

The company's liquid assets, including short-term investments and pledged assets, came to SEK 126.0 million on 30 September 2002 (SEK 136.2 million on 30 June 2002). In addition, there is a granted but as yet unutilised conditional loan of SEK 15 million from Stiftelsen Industrifonden. Since it is now unlikely that Tripep will be conducting in-house phase III trials on GPG, the remaining part of the conditional loan can probably not be utilised. This means that 75,000 warrants held by Industrifonden will be returned to the company's ownership.

The 2002 AGM adopted a resolution to reduce the share premium reserve by SEK 140 million and to transfer this sum to non-restricted equity. The AGM's resolution concerning the reduction was conditional on permission being granted by the Swedish district court.

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

The Swedish district court has now granted permission for a reduction in the share premium reserve and transfer to non-restricted equity. This means that funds can now be distributed to the shareholders in the form of dividends or the redemption of shares, should a shareholders' meeting so decide.

The Industrifonden loan of SEK 20 million includes a remission clause whereby the company can, on certain conditions, apply for the loan to be forgiven. If the loan is forgiven, then this amount will be transferred to shareholders' equity. An application for the loan to be forgiven has been submitted.

The market value of short-term investments in fixed-income and fixed-yield funds was SEK 97.5 million on 30 September.

On 30 September 2002, shareholders' equity was SEK 106.3 million (SEK 112.7 million on 30 June 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.

In addition, warrants have been issued corresponding to a total of 2,021,120 shares. Of the warrants issued, a total of 550,000 (of which the company owns 432,000) carry a redemption price of SEK 160, while 550,000 carry a redemption price of SEK 60. An additional 846,120 carry a redemption price of SEK 20, and 75,000 carry a redemption price of SEK 0.20.

Current non interest-bearing liabilities was SEK 3.5 million on 30 September 2002.

Dividend/repayment to shareholders

The Board of Directors stands by the statement issued at the extraordinary shareholders' meeting held on 17 September concerning a substantial dividend or other form of repayment to the shareholders, and the options at hand are being investigated.

Financial calendar

Preliminary year-end report for 2002	31 January 2003
Annual report for 2002	March 2003
Annual General Meeting for 2002	April 2003

Huddinge
23 October 2002
Tripep AB (publ)
Johan Ihre
President and CEO

This report has not been reviewed by the company's auditor.

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Accounting principles

This interim report complies with 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 implemented.

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 or financial position of the company compared with the principles previously applied.

Changes to estimates and assessments:

When assessing the capitalisation of development costs, the company has chosen from now on only to capitalise these when projects have reached clinical phase.

This means that previously capitalised development costs of SEK 3.4 million have now been booked as costs.

Income Statement

SEK million	<u>3</u> <u>months</u> 2002 July-Sep.	<u>3</u> <u>months</u> 2001 July-Sep.	<u>9</u> <u>months</u> 2002 Jan.-Sep.	<u>9</u> <u>months</u> 2001 Jan. Sep.	<u>12</u> <u>months</u> 2001
Net sales	0	0	0	0	0
Other operating income	0	0	0	0	0
Gross income	0	0	0	0	0
<u>Operating expenses</u>					
Research and development costs	-0.3	-0.6	-2.0	-1.7	-5.3
External research and development costs	-1.9	-8.7	-9.6	-21.8	-29.3
Other external costs	-1.3	-0.6	-6.9	-9.6	-12.4
Payroll costs	-7.5*	-3.8	-15.5*	-11.3	-16.5
Close-down costs	6.6	-	-1.6	-	-
Depreciation of tangible fixed assets	-0.3	-0.2	-0.7	-0.6	-0.5
Write-down of intangible fixed assets	-3.4	-	-6.3	-	-2.2
Other operating expenses					-2.4
Total operating expenses	-8.1	-13.9	-42.6	-45.0	-68.6
Operating loss	-8.1	-13.9	-42.6	-45.0	-68.6
<u>Income from financial investments</u>					
Change in short-term investments	1.7	2.5	4.9	5.3	2.3
Interest income and similar profit/loss items	0.2	0.1	0.3	0.2	5.7
Interest expenses and similar profit/loss items	-0.2	-0.2	-1.5	-0.7	-1.6
Total income from financial investments	1.7	2.4	3.7	4.8	6.4
Income after financial items	-6.4	-11.5	-38.9	-40.2	-62.2
Tax on profit/loss for the period	0	0	0	0	0
Loss for the period	-6.4	-11.5	-38.9	-40.2	-62.2

* Costs for staff redundancies are included to the amount of SEK 6.7 million. In the accounts dated 30 June 2002, these costs were included in close-down costs.

Earnings Per Share

SEK	<u>3</u> <u>months</u> 2002 July-Sep.	<u>3</u> <u>months</u> 2001 July-Sep.	<u>9</u> <u>months</u> 2002 Jan.-Sep.	<u>9</u> <u>months</u> 2001 Jan.-Sep.	<u>12</u> <u>months</u> 2001
Earnings before dilution	-0.47	-0.84	-2.81	-2.92	-4.52
Earnings after full dilution	-0.47	-0.84	-2.81	-2.92	-4.52
Dividend	-	-	-	-	-

Balance Sheet

SEK million	30 Sep. 2002	30 Sep. 2001	31 Dec. 2001
Intangible fixed assets	0.0	6.4	5.3
Tangible fixed assets	2.4	3.4	3.5
Current receivables	1.4	3.3	3.8
Liquid assets	126.0	178.6	157.3
Total assets	129.8	191.7	169.9
Shareholders' equity (see note below)	106.3	167.1	145.2
Loan Industrifonden	20.0	20.0	20.0
Current non interest-bearing liabilities	3.5	4.6	4.7
Total shareholders' equity and liabilities	129.8	191.7	169.9

Note. Change in shareholders' equity

	30 Sep. 2002	30 Sep. 2001	31 Dec. 2001
Shareholders' equity at start of period	145.2	207.1	207.1
Warrants exercised	-	0.2	0.2
New share issue	-	-	-
Loss for the period	-38.9	-40.2	-62.2
Shareholders' equity at end of period	106.3	167.1	145.2

Data per share

	30 Sep. 2002	30 Sep. 2001	31 Dec. 2001
Shareholders' equity before dilution, SEK	7.67	12.15	10.48
Shareholders' equity after full dilution, SEK*	15.39	19.22	17.84
Average number of shares outstanding	13,850,000	13,750,000	13,758,333
Number of shares outstanding at the end of the period	13,850,000	13,750,000	13,850,000

*The calculation is based on the assumption that all outstanding warrants are converted at redemption price.

Cash Flow Statement

SEK million	Jan.-Sep. 2002	Jan.-Sep. 2001	Jan.-Dec. 2001
Cash flow from operating activities			
Income after net financial items	-38.9	-40.2	-62.2
Depreciation and write-downs	7.0	0.2	2.7
Capital gains/losses	-	-	-
Cash flow from operating activities before changes in working capital	-31.9	-40.0	-59.5
<u>Cash flow from changes in working capital</u>			
Decrease in receivables	2.4	1.1	0.6
Decrease/increase in current liabilities	-1.3	-1.3	-0.9
Cash flow from operating activities	-30.8	-40.2	-59.8
Cash flow from investment activities			
Acquisition of tangible fixed assets	0.4	-1.3	-1.9
Acquisition of intangible fixed assets	-0.9	-2.5	-3.6
Cash flow from investment activities	-0.5	-3.8	-5.5
Cash flow from financing activities			
Warrants	0.0	0.2	0.2
Cash flow from financing activities	0.0	0.2	0.2
Cash flow for the period	-31.3	-43.8	-65.1
Liquid assets at start of period	157.3	222.4	222.4
Liquid assets at end of period	126.0	178.6	157.3

Key Figures

	<u>3</u> <u>months</u> 2002 July-Sep.	<u>3</u> <u>months</u> 2001 July-Sep.	<u>9</u> <u>months</u> 2002 Jan.-Sep.	<u>9</u> <u>months</u> 2001 Jan.-Sep.	<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, %	81.9	89.4	81.9	89.4	85.5
Net debt–Equity ratio	-1.00	-0.74	-1.00	-0.74	-0.66
Share of risk-bearing capital, %	81.9	89.4	81.9	89.4	85.5
Cash flow, SEK million	-10.2	-14.6	-31.3	-43.8	-65.1
Net capital expenditure, SEK million	0	0.4	-0.4	1.5	1.9
Total research and development, SEK million	2.2	9.3	11.6	23.5	34.6
Salaries, remuneration and social security charges, SEK million	7.5	3.8	15.5	11.3	16.5
Average number of employees	11	27	15	27	22
Average number of staff	19	42	27	42	44