



Tripep AB (publ) – Interim Report, January – September 2003

- Result after tax: -SEK 17.2 million (-SEK 38.9 m).
Research and development costs: SEK 9.5 million (SEK 11.6 m).
The company has no other income.
EPS: -SEK 1.30 (-SEK 2.81).
- Research into Tripep's new anti-HIV medication, MetaboliteX, continues.
- Formation of the jointly owned company VLP Biotech Inc. continues according to plan. Tripep's share of the company is 30%.

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Tripep is a biotech research company that develops and commercialises candidate drugs based on patented technologies:

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

For a description of the company's technologies, please see the company's homepage at www.tripep.se

Operations

MetaboliteX, Tripep's new anti-HIV drug

Development of Tripep's new HIV inhibitor drug, MetaboliteX, continues. This involves the production of a synthetic production method and a so-called cold analysis method. In addition, work is ongoing in purifying and characterising the enzyme that converts G-NH₂ till MetaboliteX. This enzyme is present in the serum of most species of animals, but not in that of humans.

Vaccines

ChronVac-C

Preparations and planning for preclinical evaluation using selected candidate drugs is in progress. Final tests with regard to delivery systems are taking place. Discussions have been held with potential partners with regard to delivery systems.

CarryVac-HIV 1 – The amino acid sequences patented by Tripep are being used for research both into a preventative HIV vaccine and for a therapeutic vaccine for use together with inhibitor drugs. Tripep is working in partnership in this sphere with the Vaccine Research Institute of San Diego (VRISD) from whom Tripep has licensed a new carrier technology which yields a vastly better immune response than customary technologies. Several variants of Tripep's HIV sequences are currently undergoing evaluation.

RAS[®], Redirecting Antibody Specificity

Staphylococcus aureus – Research is being conducted into a unique method of attacking resistant staphylococci that cause nosocomial (hospital-acquired) infection. RAS[®] molecules function as short peptides that redirect antibodies already present in the blood to recognise the nosocomial bacteria and render them harmless. A number of interesting RAS[®] peptides that function as these kinds of adapters between existing antibodies and nosocomial bacteria have been identified. A completely new type of RAS peptides, where the part that binds with the antibodies comprises a sugar chain, has been developed and is currently undergoing evaluation.

Partnership agreements

Tripep's strategy entails developing sections of the company's product portfolio in partnership with other players who can provide both expertise and other resources.

As reported previously, we are working actively to conclude partnership agreements with established pharmaceutical companies in relation to the preclinical and clinical development of the therapeutic Hepatitis C vaccine, ChronVac-C[®]. A partnership has been established with Professor Peter Liljeström regarding the evaluation of his patented carrier technology.

Jointly owned companies

Formation of the jointly owned company VLP Biotech Inc in San Diego (USA) is almost complete. Tripep's share in the company comprises preference shares

equivalent to ownership of 30%, and a capital injection of USD 500,000 will be paid shortly. This sum is covered by forward contract.

The company will initially focus on the development of a general vaccine against the Influenza A virus, a vaccine against Alzheimer's disease, and a vaccine for the treatment of allergies. The company has been formed in order to exploit, with the Vaccine Research Institute of San Diego (VRISD), its unique vaccine platform, which is based on virus-like particles (VLP). Tripep's scientific contribution to the jointly owned company will be to participate in the production and development of the vaccine structures that will be built into VLP Biotech's vaccine platform.

Patents

Tripep's strategy involves creating patent protection in those areas of the world that are of importance to the company, i.e. North America, Europe and Asia.

The active patent portfolio will then comprise 22 approved patents and 42 submitted patent applications.

Personnel

The company had 6 employees at the period end.

Remuneration and benefits paid to the Board of Directors and senior management

The Board of Directors

Linklaters Advokatbyrå AB, of which Board Member Erik Nerpin is a joint owner, was paid SEK 0.9 million over and above remuneration approved at the Annual General Meeting.

Senior management

The company's CEO, Johan Ihre, has received SEK 1.0 million in salary during the period from 1st January 2003 until 30th September 2003, of which SEK 0.0 million was variable. The company shall not incur any pension contribution liability.

If notice of termination is given by the company, the salary shall be paid in an unchanged amount for a period of 12 months.

Other senior executives

The management group (2 people) has received SEK 1.2 million in salary during the period from 1st January 2003 until 30th September 2003, of which SEK 0.0 million was variable.

Result

The result after net financial items was -SEK 5.3 million (-SEK 6.4 m) for the third quarter and -SEK 17.2 million (-SEK 38.9 m) for the first nine months of 2003.

As yet, the company has no income.

Operating expenses totalled SEK 5.3 million (SEK 8.1 m) for the third quarter and SEK 18.8 million (SEK 42.6 m) for the first nine months of 2003.

| | July-Sept 2003 (2002) | Jan-Sept 2003 (2002) |
|---|--------------------------|-------------------------|
| Research and development costs, SEK m | 2,9 (2,2) | 9,5 (11,6) |
| Of which external researchers and subcontractors, SEK m | 2,6 (1,9) | 8,4 (9,6) |

Investments

| | July-Sept 2003 (2002) | Jan-Sept 2003 (2002) |
|---------------------------------------|--------------------------|-------------------------|
| Net investments in inventories, SEK m | 0,0 (0,0) | 0,0 (-0,4) |

Financial position

The company's liquid assets, including short-term investments and pledged assets, totalled SEK 64.0 million, as of 30th September 2003. The company also has an authorised but as yet unused conditional loan from the Swedish Industrial Development Fund of SEK 15 million. As it is now unlikely that Tripep will conduct phase III testing of GPG under its own management, this means that it will hence probably not be possible to utilise the remainder of the conditional loan. If this proves to be the case, 75,000 warrants held by the Fund will revert to the company's ownership.

Blocked funds totalling SEK 20 million plus interest have been allocated by the company to enable it to implement the decision of the Annual General Meeting on reduction of the share premium reserve by SEK 140 m, to guarantee discharging its obligations in respect of the Swedish Industrial Development Fund loan.

The Swedish Industrial Development Fund loan of SEK 20 million includes a remission clause whereby the company can apply for remission under certain circumstances. If a remission is granted, the loan is transferred to the shareholders' equity in the company. An application for remission has been submitted and a decision will be received shortly from the Swedish Industrial Development Fund.

The market value of short-term investments in fixed income funds totalled SEK 40.1 million, as of 30th September 2003.

Shareholders' equity, as at 30th September 2003, totalled SEK 44.3 million. The company's share capital comprises SEK 2,770,000, spread over 13,850,000 shares with a nominal value of SEK 0.20.

Current, non-interest-bearing liabilities totalled SEK 2.9 million, as of 30th September 2003.

Share buyback

A proposal was adopted by the Annual General Meeting of 27th March involving the adoption of a buyback programme whereby Tripep targeted the company's

shareholders with an offer to buy one in every ten shares for SEK 30. After the final totalisation, Tripep had acquired 1,356,345 of its own shares, corresponding to a take-up rate of 97.9%. Some SEK 40.7 million was transferred to the shareholders. The company will use its own shares acquired in this manner as a means of payment in connection with the acquisition of companies and/or projects.

The National Swedish Tax Board has issued general advice guidelines with regard to the allocation of acquisition disbursements for shares and selling rights as a result of Tripep's buyback of its own shares. The National Swedish Tax Board's general advice guidelines are designated RSV 2003:16, with complementary information provided in RSV M 2003:07. The information is available from the National Swedish Tax Board homepage at www.rsv.se.

Future reporting dates

| | |
|---|-------------------------------|
| Preliminary financial statement for the 2003 financial year | 30 th January 2004 |
| Annual report | March 2004 |
| Annual General Meeting | April 2004 |

Huddinge, 24th October 2003

Tripep AB (publ)

Johan Ihre

CEO

This interim report has not been examined by the company's auditors.

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Accounting principles

The interim report has been drawn up in accordance with the provisions of the Swedish Annual Reports Act and recommendation number RR 20 (Interim Reports) of the Swedish Financial Accounting Standards Council. The same accounting principles have been applied as in the Annual Report for 2002. The following new recommendations from the Swedish Financial Accounting Standards Council have also come into effect, as of 1st January 2003:

RR 22 Structure of financial reports,
RR 24 Buildings held for investment purposes,
RR 25 Reporting for segments, lines of business and geographical areas,
RR 26 Events after the closing date,
RR 27 Financial instruments: Information and classification, and
RR 28 State subsidies.

RR 24, RR 27 and RR 28 are not applicable to Tripep AB. RR 22 and RR 25 will be applied for the first time in conjunction with the drawing up of the 2003 Annual Report. RR 26 has had no effect on the company's result and position in comparison with principles previously applied.

Income Statements

| SEK m | <u>3 mths</u> | <u>3 mths</u> | <u>9 mths</u> | <u>9 mths</u> | <u>12 mths</u> |
|--|---------------|---------------|---------------|---------------|----------------|
| | 2003 | 2002 | 2003 | 2002 | 2002 |
| | July - | July - | Jan - | Jan - | |
| | Sept | Sept | Sept | Sept | |
| Net sales | 0 | 0 | 0 | 0 | 0 |
| Other operating income | 0 | 0 | 0 | 0 | 0 |
| Gross result | 0 | 0 | 0 | 0 | 0 |
| <u>Operating expenses</u> | | | | | |
| Research and development costs | -0.3 | -0.3 | -1.1 | -2.0 | -2.4 |
| External research and development costs | -2.6 | -1.9 | -8.4 | -9.6 | -11.4 |
| Other external costs | -0.7 | -1.3 | -3.6 | -6.9 | -8.1 |
| Staff overheads | -1.4 | -7.5 | -5.0 | -15.5 | -17.2 |
| Liquidation costs | 0.0 | 6.6 | 0.0 | -1.6 | -1.6 |
| Depreciation of tangible fixed assets | -0.3 | -0.3 | -0.7 | -0.7 | -0.9 |
| Writing down of intangible fixed assets | 0.0 | -3.4 | 0.0 | -6.3 | -6.3 |
| Other operating expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total operating expenses | -5.3 | -8.1 | -18.8 | -42.6 | -47.9 |
| Operating profit/loss | -5.3 | -8.1 | -18.8 | -42.6 | -47.9 |
| <u>Result of financial investments</u> | | | | | |
| Change in short-term investments | -0.1 | 1.7 | 1.7 | 4.9 | 2.3 |
| Interest income and similar profit or loss items | 0.2 | 0.2 | 0.6 | 0.3 | 4.5 |
| Interest expenses and similar profit or loss items | -0.1 | -0.2 | -0.7 | -1.5 | -1.4 |
| Total result of financial investments | -0.0 | 1.7 | 1.6 | 3.7 | 5.4 |
| Result after financial items | -5.3 | -6.4 | -17.2 | -38.9 | -42.5 |
| Tax on the result for the period | 0 | 0 | 0 | 0 | 0 |
| Result for the period | -5.3 | -6.4 | -17.2 | -38.9 | -42.5 |

EPS

| SEK | <u>3 mths</u> | <u>3 mths</u> | <u>9 mths</u> | <u>9 mths</u> | <u>12 mths</u> |
|--|---------------|---------------|---------------|---------------|----------------|
| | 2003 | 2002 | 2003 | 2002 | 2002 |
| | July - Sept | July - Sept | Jan - Sept | Jan - Sept | |
| | | | | | |
| Result before dilution | -0.43 | -0.47 | -1.30 | -2.81 | -3.07 |
| Result after full dilution | -0.43 | -0.47 | -1.30 | -2.81 | -3.07 |
| Average number of shares outstanding | 12,493,655 | 13,850,000 | 13,209,504 | 13,850,000 | 13,850,000 |
| Number of shares outstanding at the commencement of the period | 12,493,655 | | 13,850,000 | 13,850,000 | 13,850,000 |
| Buyback of own shares | | | -1 356 345 | | |
| Number of shares outstanding at the end of the period | 12,493,655 | 13,850,000 | 12,493,655 | 13,850,000 | 13,850,000 |

Definitions

Calculations have been made in accordance with RR 18 EPS, i.e.

Result before dilution. The result for the period divided by the average number of shares (excluding own shares).

Result after full dilution. The result for the period divided by the average number of shares after full dilution (excluding own shares), i.e. with full utilisation of outstanding options (excluding own held options).

Warrants

| | Number | Of which owned by the company | Issue price | Due date |
|--|------------------|----------------------------------|-------------|-------------|
| Series A | 846,120 | 0 | 17.30 | 14 Aug 2004 |
| Series B | 550,000 | 429,000 | 157.30 | 14 Aug 2006 |
| Series C | 550,000 | 3,000 | 57.30 | 14 Aug 2006 |
| Series D | 750,000 | 200,000 | 20.20 | 7 Apr 2006 |
| Swedish Industrial Development Fund | 75,000 | 0 | 0.20 | 30 Dec 2003 |
| Total | 2,771,120 | 632,000 | | |

Balance Sheets

| SEK m | 30-09-2003 | 30-09-2002 | 31-12-2002 |
|---|-------------|--------------|--------------|
| Intangible fixed assets | 0.0 | 0.0 | 0.0 |
| Tangible fixed assets | 1.5 | 2.4 | 2.2 |
| Current receivables | 1.7 | 1.4 | 1.4 |
| Liquid assets | 64.0* | 126.0 | 121.6 |
| Total assets | 67.2 | 129.8 | 125.2 |
| Shareholders' equity (see note below) | 44.3 | 106.3 | 102.7 |
| Loan from Swedish Industrial Development Fund | 20.0 | 20.0 | 20.0 |
| Current non-interest-bearing liabilities | 2.9 | 3.5 | 2.5 |
| Total shareholders' equity & liabilities | 67.2 | 129.8 | 125.2 |

* of which SEK 20 million plus interest refers to blocked funds.

| Change in shareholders' equity | 30-06-2003 | 30-06-2002 | 31-12-2002 |
|---------------------------------|--------------|--------------|--------------|
| Opening shareholders' equity | 102.7 | 145.2 | 145.2 |
| Options sold | 0.1 | | |
| Buyback of 1,356,345 own shares | | -41.3** | |
| Result for the period | -17.2 | -38.9 | -42.5 |
| Closing shareholders' equity | 44.3 | 106.3 | 102.7 |

** of which transaction costs total SEK 0.6 million

Data per share

| | 30-09-2003 | 30-09-2002 | 31-12-2002 |
|---|------------|------------|------------|
| Shareholders' equity before dilution, SEK | 3.55 | 7.67 | 7.41 |
| Shareholders' equity after full dilution, SEK | 8.23 | 11.09 | 10.86 |

Definitions.

Shareholders' equity before dilution. Shareholders' equity divided by the number of outstanding shares (excluding own shares) at the end of the period.

Shareholders' equity after full dilution. Shareholders' equity based on full utilisation of outstanding options (excluding own held options) divided by the number of outstanding shares (excluding own shares) and the number of outstanding options (excluding own held options) at the end of the period.

Conversion has been effected for previous periods.

Cashflow analysis

| SEK m | Jan-Sept 2003 | Jan-Sept 2002 | Jan-Dec 2002 |
|---|------------------|------------------|-----------------|
| Cashflow from operating activities | | | |
| Result after net financial items | -17.2 | -38.9 | -42.5 |
| Depreciation and write-downs | 0.7 | 7.0 | 7.2 |
| Capital gain/loss | 0.0 | - | 0.4 |
| Cashflow from operating activities before changes in operating capital | -16.5 | -31.9 | -34.9 |
| <u>Cashflow from changes in operating capital</u> | | | |
| Reduction/increase in receivables | -0.3 | 2.4 | 2.4 |
| Reduction/increase in current liabilities | 0.4 | -1.3 | -2.2 |
| Cashflow from operating activities | -16.4 | -30.8 | -34.7 |
| Cashflow from investment activities | | | |
| Acquisition of tangible fixed assets | 0.0 | 0.4 | -0.1 |
| Acquisition of intangible fixed assets | 0.0 | -0.9 | -0.9 |
| Cashflow from investment activities | 0.0 | -0.5 | -1.0 |
| Cashflow from financing activities | | | |
| Warrants | 0.1 | 0.0 | 0.0 |
| Share buyback | -41.3 | - | - |
| Cashflow from financing activities | -41.2 | 0.0 | 0.0 |
| Cashflow for the period | -57.6 | -31.3 | -35.7 |
| Opening liquid assets | 121.6 | 157.3 | 157.3 |
| Closing liquid assets | 64.0 | 126.0 | 121.6 |

Key ratios

| | <u>3 mths</u> 2003- July - Sept | <u>3 mths</u> 2002- July - Sept | <u>9 mths</u> 2003 Jan - Sept | <u>9 mths</u> 2002 Jan - Sept | <u>12 mths</u> 2002 Jan - Dec |
|---|--|--|--|--|--|
| Return on capital employed, % | neg | neg | neg | neg | neg |
| Return on shareholders' equity, % | neg | neg | neg | neg | neg |
| Equity/assets ratio, % | 65.9 | 81.9 | 65.9 | 81.9 | 82.0 |
| Net debt/equity ratio, multiple | -0.99 | -1.00 | -0.99 | -1.00 | -0.99 |
| Percentage risk-bearing capital % | 65.9 | 81.9 | 65.9 | 81.9 | 82.0 |
| Cashflow, SEK m | -5.8 | -10.2 | -57.6* | -31.3 | -35.7 |
| Net investments in tangible fixed assets, SEK m | 0.0 | 0.0 | 0.0 | -0.4 | 0.1 |
| Total research and development, SEK m | 2.9 | 2.2 | 9.5 | 11.6 | 13.8 |
| Salaries, remunerations and staff welfare expenses, SEK m | 1.4 | 7.5 | 5.0 | 15.5 | 17.2 |
| Average no. employees | 6 | 11 | 6 | 15 | 13 |

* Buyback of the company's own shares is included in the period's cashflow.