Tripep | Annual Report 2003

Contents

Annual General Meeting

Invitation to Attend Tripep's Annual General Meeting
Tripep's Annual General Meeting will be held on Thursday, 25 March 2004 at 6 p.m. in the *Kilsalen* Room, Berns Conference Facility, Berzelii Park, Stockholm, Sweden.

Participation Rights at the AGM
To qualify for participation at the AGM shareholders should both be included in the share register maintained by VPC (the Swedish Central Securities Depository & Clearing Organisation) by no later than Monday 15 March 2004, and have informed the company of their intention to attend by no later than 22 March 2004.

Shareholders with nominee-registered holdings should temporarily re-register their shares in their own name with VPC. This means that shareholders desiring such re-registration should inform their nominee thereof in good time before 15 March 2004.

The company should have received notifications of intention to attend Tripep's AGM 2004 by no later than 3 p.m. on 22 March 2004.

Applications can be made directly on Tripep's Website, www.tripep.se, by mail to Tripep AB (publ), Hälsovägen 7, 141 57 Huddinge, Sweden, by telephone on +46 (0)8 449 8480, by fax on +46 (0)8 449 8481 or by e-mail: karolina.olsson@tripep.se.

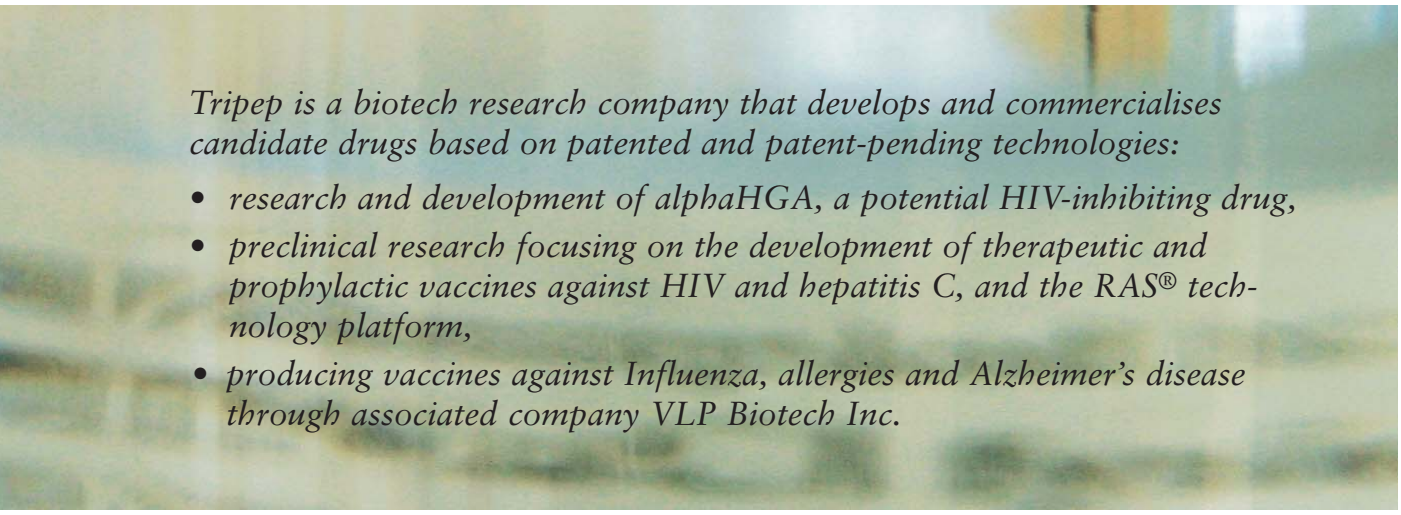
In their applications, shareholders should state their name, personal or corporate identity number, address and telephone number, number of shares and the number of assistants (maximum two) the shareholder intends to bring to the AGM.

Participants at the AGM should be able to verify their identity, with authorised signatories bearing a copy of their certificate of incorporation or equivalent documentation.

Forthcoming Financial Reports

- First-quarter Interim Report 2004
  Friday, 30 April 2004
- Second-quarter Interim Report 2004
  Friday, 27 August 2004
- Third-quarter Interim Report 2004
  Friday, 29 October 2004
- Financial Statement 2004
  Friday, 28 January 2005

The Year in Brief



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

- *research and development of alphaHGA, 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,*
- *producing vaccines against Influenza, allergies and Alzheimer's disease through associated company VLP Biotech Inc.*

- The net loss for the full year 2003 was SEK –13.0 (–42.5) m.
- Research and development costs for the full year 2003 were SEK 12.4 (13.8) m.
- As yet, the company generates no operating income, and accordingly has no net sales.
- Earnings per share for the full year 2003 were SEK –1.00 (–3.07).
- Research into GPG®'s metabolite (with previous working title MetaboliteX—'the unknown metabolite') resulted in the discovery of antiviral agent alphaHGA, and a patent application has been filed for its structure. A chemical synthesis method has been prepared.
- Clinical trials of alphaHGA in humans are planned for the first half-year 2004.
- alphaHGA will be presented for the first occasion at the 5th Antiviral Drug Discovery & Development Summit on 29-30 March 2004 at Cherry Hill, NJ, US.
- Together with researchers in the US, Tripep has incorporated a new biotechnology enterprise (VLP Biotech Inc.) in San Diego. Tripep's holding is 30%. This entity's first intended product will be a universal vaccine against Influenza A.
- Tripep's discussions with potential partners regarding the consolidation of operations have been concluded; no acquisitions are planned apart from the VLP Biotech undertaking. This comes after a decision to concentrate work on alphaHGA.
- The Swedish Industrial Development Fund granted SEK 10 m remission on its SEK 20 m conditional loan for the development of GPG®. As a consequence, Tripep is now free of debt.
- Tripep is considering the advantages and consequences of parallel quotation on the London Stock Exchange AIM (Alternative Investment Market).
- After the end of the period, Tripep was granted a US patent for a new application of the antiviral compound ribavirin.

Key Figures	2003	2002	2001	2000
Operating income, SEK m	0	0	0	0
Research and development costs, SEK m	–12.4	–13.8	–34.6	–20.6
Operating profit/loss, SEK m	–25.0	–47.9	–68.6	–56.5
Profit/loss for the period, SEK m	–13.0	–42.5	–62.2	–51.6
Earnings per share before dilution, SEK	–1.00	–3.07	–4.52	–3.75
Balance sheet total, SEK m	51.2	125.2	169.9	232.8
Cash flow, SEK m	–77.1	–35.7	–65.1	220.2
Shareholders´ equity per share before dilution, SEK	3.89	7.41	10.48	15.06
Equity ratio, %	94.7	82.0	85.5	89.0
Return on capital employed, %	neg	neg	neg	neg
Return on equity, %	neg	neg	neg	neg
Net debt/equity ratio, multiple	–0.92	–0.99	–0.66	–0.78
Share of risk-bearing capital, %	94.7	82.0	85.5	89.0
Average no. of employees	6	13	22	12

CEO's Statement

Tripep's prospects of developing a new HIV drug brightened further in 2003; the discovery of the active compound alphaHGA was a milestone in our determined efforts.

The discovery of alphaHGA in late 2003 was an eagerly awaited breakthrough for Tripep. Our persistence and belief in this project enabled us to produce a CD (candidate drug) against HIV. This is a momentous step towards our ultimate objective of developing a commercial HIV drug based on Tripep's research.

Sustained, intense efforts lay behind the discovery, after we ascertained that the positive effects of GPG® on HIV-infected cell cultures could not be repeated in clinical trials in humans. The discovery of alphaHGA involved many important steps. We were first able to demonstrate that, rather than GPG® itself, it was a metabolite of GPG® that generated the suppressant effect on HIV in vitro. Then we were able to demonstrate that this metabolite was not produced in humans, which explains why GPG® was not active in our earlier phase II trials in humans. Because we did not have the molecular structure of this metabolite, we called it MetaboliteX, or 'the unknown metabolite'. After MetaboliteX was prepared enzymatically from GPG® in vitro we were able to determine the compound's molecular structure, and verify the active component as alphaHGA, named after its now-known chemical composition. In addition to determining the structure of GPG®'s active metabolite, we also succeeded in preparing a method for producing alphaHGA on an industrial scale. Accordingly, we successfully achieved the objective we set in summer 2000—to recover the value of the GPG® project despite the unsuccessful trials in humans.

We are now concentrating our resources on alphaHGA, with a focus on bringing this compound to clinical trials in humans. The first such planned trial, known as a microdosage trial in humans will examine alphaHGA's bioavailability. From this, we will know how alphaHGA is absorbed, distributed and metabolised after oral administration. This trial was arranged in January, and hopefully, will be performed as early as spring 2004 by Pharmaceutical Profiles Inc. and Xceleron Inc. in the UK. The results of this trial will offer guidance on the implementation of safety and efficacy trials in HIV patients, which should be able to begin in autumn 2004.

Because of the experience gained from previous studies on GPG®, the future trials can be performed relatively quickly.

If we are successful in the planned phase II trial, Tripep will certainly become an attractive partner for the major drug companies.

alphaHGA will be presented for the first time by

Tripep's Head of Research, Professor Anders Vahlne, at the 5th International Antiviral Drug Discovery & Development Summit on 30 March 2004 in the US. This will be the first public presentation of alphaHGA to the scientific community and representatives of the pharmaceutical industry.

A lot of discussion last year revolved around our opportunities to make acquisitions, with the intention being to create synergies in scientific know-how and to share the administrative burden over several projects. After carefully evaluating a number of feasible Swedish acquisition targets, out of business considerations we decided not to proceed. Moreover, owing to the discovery of alphaHGA, where we are now concentrating our resources, also altered our prospects.

However, we have been able to make one key acquisition in 2003. Since October, Tripep has been a 30% partner in US corporation VLP Biotech Inc.; a company jointly owned with researchers from VRISD (the Vaccine Research Institute of San Diego). The first vaccine in development is a universal vaccine against Influenza A. This collaboration gives us better access to a unique vaccine platform that should extend to the development of other vaccines.

Tripep's researchers have also discovered that the substance ribavirin reinforces the immune response when combined with virus antigens coincident with vaccination—this opens up a new indication for the compound. We were granted a US patent on this discovery in January 2004, and are now continuing our work on this in various projects, through avenues including VLP Biotech. We also hope that this new indication for ribavirin may attract licensing partners.

In addition, we have continued to develop ChronVac-C® and to demonstrate that an active hepatitis C vaccine can be produced, something that so far, no one has succeeded in. Animal studies have continued to generate positive results, and we are keen on creating a partnership with a drug company for ongoing development. Last year, we intended to bring ChronVac-C® into clinical trials. However, after the discovery of alphaHGA we consider this latter project to have shorter time to trials in humans. Therefore, the management's firm conviction is that realignment of resources from ChronVac-C® to the alphaHGA project will be of greater benefit to Tripeps shareholders.

Tripep also gained remission of half of its SEK 20 m loan from the Swedish Industrial Development Fund. The company applied for loan remission as a consequence of the negative results of clinical trial CTN002 on GPG®. The loan agreement included a clause for the Fund to waive the debt fully or partially if it considered that the project results could either not, or only in part, be utilised in Tripep's operations. Because the project had regained its potential through the identification of alphaHGA, Tripep and the Fund arrived at a compromise whereby the Fund granted SEK 10 m remission, which then became available for the company's operations.

I am also pleased to announce that we have succeeded in achieving all above while cutting our costs drastically. During the year, our operations generated a SEK 23.0 m loss (excluding loan remission) against SEK 42.5 m in the previous year, giving a reduced burnrate of less than SEK 2 m a month, the consequence of stern cost control that we have pursued in a very goal-oriented manner. This demonstrates that it is possible to pursue efficient, sophisticated research with a minimum of fixed costs.

Tripep's projects are on the verge of several important, and in some cases decisive, steps in the current year. Our financial room for manoeuvre increases with every research advance. We are also examining the benefits and consequences of parallel quotation on the London Stock Exchange AIM (Alternative Investment Market). Biotechnology is expected to be the sector generating the most IPOs in 2004, and such an action could be expected to further enhance Tripep's share liquidity. Accordingly, we can expect an exciting year in terms of our actual research and our contacts with potential partners and investors.

Johan Ihre
CEO, Tripep AB

Business Concept, Objectives and Strategies

Business Concept

Tripep's business concept is to develop and commercialise proprietary CDs (candidate drugs) based on the company's patented and patent-pending technologies.

Objectives

Tripep's strategic objective for the forthcoming three-year period is to develop and commercialise the CD alphaHGA either on its own or jointly with a strategic partner. Additionally, the objective is for Tripep to bring other new CDs to clinical trials.

alphaHGA

Tripep's primary objective for 2004 is, this spring, to perform a microdosage trial on alphaHGA in the human body to determine its bioavailability and pharmacokinetics. Based on these results, Tripep plans to start a combined safety and efficacy study (phase I and initial phase II trials) during the autumn with alphaHGA on otherwise healthy HIV carriers.

Other Research Projects

Tripep's objectives for its other research projects:

- To prepare the therapeutic hepatitis C vaccine ChronVac-C®, Tripep's second CD, for clinical trials.
- To produce new CDs based on the company's other patented technologies.
- To actively pursue the development of a vaccine portfolio including a new Influenza vaccine through the vaccine enterprise VLP Biotech Inc., jointly owned by Tripep.

Strategies

Collaboration Strategy

Tripep pursues research projects both autonomously and within the framework of collaboration agreements with strategic partners. Collaborations enable Tripep to participate in more research projects, thereby reducing the dependence on individual projects. To ensure that values remain within the company, Tripep has taken measures including reaching agreements that involve university researchers transferring ownership rights of their discoveries to Tripep.

Focusing Strategy

For a research-based enterprise of Tripep's size, focusing limited in-house resources is imperative. In 2004, Tripep's resources will be focused on the clinical development of alphaHGA. Those projects in the preclinical phases will primarily be developed by Tripep's collaboration partners at universities, with assistance from Tripep's research function.

Financing Strategy (Revenue Model)

When a CD reaches its clinical phases, onward development can be effected by Tripep outlicensing it to a pharmaceutical company. Another option is for Tripep to pursue onward development on its own or together with a strategic partner. The objective is that in the slightly shorter term, through partnership financing and outlicensing, Tripep's operations will be able to generate cash flows. When one of Tripep's research projects reaches the market, profitability is assured through royalty payments, the level of which varies depending on when in the project process outlicensing occurs (see table on following page).

Tripep's business concept is to develop and commercialise proprietary CDs (candidate drugs) based on the company's patented and patent-pending technologies.

Tripep's present cash reserves will cover the company's fixed costs and development programme, including planned clinical trials on alphaHGA, into 2005.

Capital injections can be achieved either through outlicensing the company's technologies to established pharmaceutical companies for onward clinical development, or by selling the shares the company holds itself as a result of the previous buy-back, or through issuing new shares, either to shareholders, or to the public, or by private placements with one or more institutional investors. The longer a CD has progressed in its clinical development programme, the better the payment for outlicensing (see table). This applies to down-payments, milestone payments and royalty rates.

Should it turn out that a CD for whatever reason cannot progress onward through clinical development the project as such is not necessarily worthless.

Patent applications are broadly written, securing the substance as a lead product, i.e. to serve as a template for new drugs, and can be outlicensed as such.

Patent Strategy

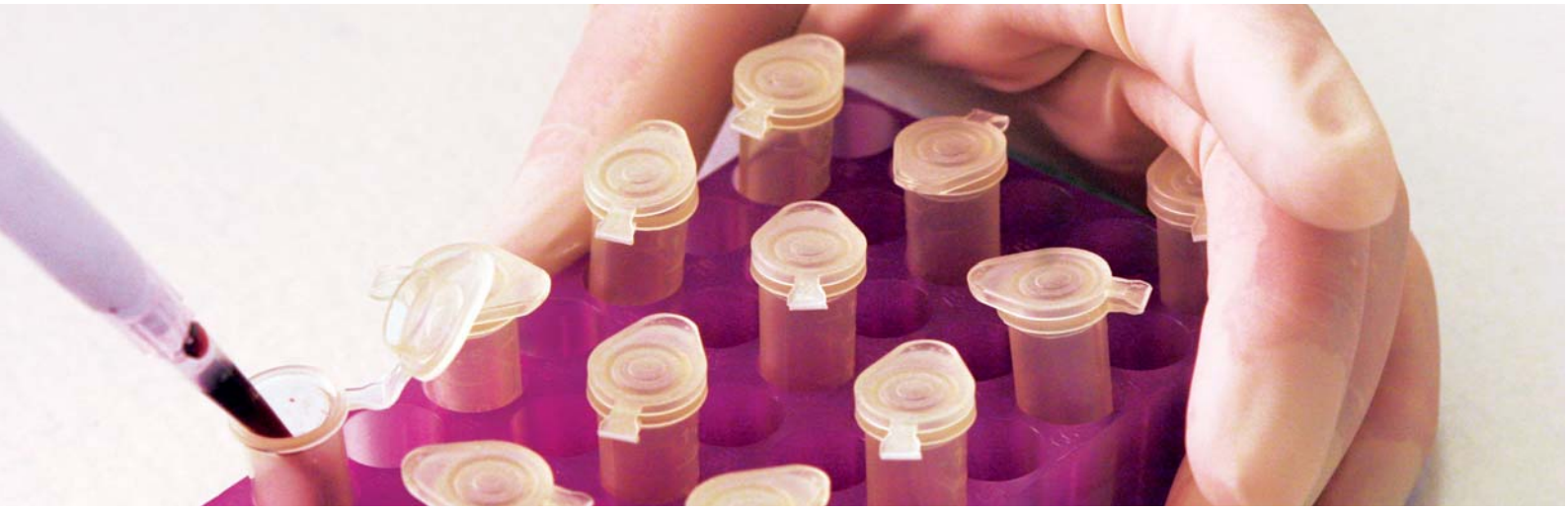
An active patent strategy safeguards Tripep's structural capital and is decisive for businesses active in the biotechnology sector. Tripep's strategy is to create effective protection for its products and technologies in its key commercial regions of North America, Europe and Asia. The initial strategy is to file patent applications in the US. Tripep has engaged the US patent bureau Knobbe Martens Olson & Bear to benefit from its expertise on patent issues.

Approximate Income from Licence Agreements

Clinical Phase when Agreement Reached	Down–payment, USD m	Total Milestone Payments, USD m	Royalties, %
Preclinical phase	2	15	7
Phase I	5	25	10
Phase II	10	35	17
Phase III	15	50	22

Information sourced from a report from Bridgehead Pharmalicensing Group Limited, 2004.

Market



HIV/AIDS

HIV causes AIDS

Acquired immunodeficiency syndrome, or AIDS, is caused by the human immunodeficiency virus, HIV. At present, an estimated 40 million people are infected with the virus. Additionally over 20 million people have already died from AIDS. Once a person becomes infected, it can take up to ten years before he or she develops AIDS. This immunodeficiency means that otherwise benevolent bacteria, viruses or fungi can cause life-threatening infections.

Antiretroviral Medicines against HIV

Tens of billions of HIV particles are produced every day by people carrying HIV. The development of AIDS depends on the virus constantly multiplying in the body. If virus reproduction can be suppressed, the development of AIDS is delayed. This can be achieved with antiretroviral drugs. Apart from their severe side-effects, the major problem with these drugs is that the virus soon develops resistance to them, or in other words, the drugs can no longer suppress virus production in the patient's blood and lymph glands. Of all patients presently being treated with antiretroviral drugs, some 40% carry viruses that have developed resistance to these drugs to varying degrees.

Resistance development has also already been observed for the new antiretroviral medicines in clinical trials. To avoid resistance development, all virus production has to cease. Accordingly, patients are treated with at least three different antiviral drugs simultaneously. Preferably, these medicines should have different mode of actions, i.e. belong to different drug classes. In the West, patients and their doctors are generally well informed about new drugs arriving on the market. Thus a new antiretroviral medicine with the following characteristics—(i) novel active mechanism, (ii) does not trigger resistant viruses, and (iii) has few or mild side-effects, would rapidly capture the market for antiretroviral medicines.

The Drugs on the Market

At present there are some 20 approved antiretroviral medicines in clinical use, divided into various classes based on their mode of action.

The first two classes suppress HIV's enzyme reverse transcriptase (which converts virus RNA to pro-virus DNA in the newly infected cell) and accordingly, are termed RT (reverse transcriptase) inhibitors. Such drugs can suppress the enzyme directly (non-nucleoside analogue RT inhibitors, NNRTI) or provide it with false building-blocks (nucleoside/nucleotide analogue RT inhibitors, NRTI). A third class is known as protease inhibitors (PI) because they inhibit an HIV enzyme that cuts/trims HIV proteins, the HIV protease.

Recently, the compound Fuzeon, the first in an entirely new fourth class, termed fusion inhibitors, has entered clinical use. This is a large molecule (36 amino acids) and accordingly must be administered by injection. Also Fuzeon easily triggers resistant virus strains. As yet, it has only been launched in Europe. Probably, Fuzeon will be used as a component in what are termed HAART regimens (highly active antiretroviral therapy) in cases where other therapy alternatives have not worked. The company behind Fuzeon, Roche, expects it to generate annual sales of some USD 405 m. If it had not been necessary to

HIV/AIDS

- 2 million people infected in the West.
- 40 million infected worldwide.
- In 2003, a total of 5 million people became infected with HIV in 2003.
- A further 45 million people are expected to be infected by 2010.
- Some 40% of people treated with antiretroviral medicines carry viruses that have developed drug resistance, a figure in constant increase.
- About 20% of those newly infected in the US have contracted already resistant viruses.
- There is an acute need for antiretroviral medicines with new principles.
- At the end of 2002, 800,000 people were receiving antiretroviral treatment, with 560,000 of this total living in the US and Europe.

administer this compound by injection, sales forecasts would have been far higher.

Resistance development to antiretroviral drugs is on a class-by-class basis, implying that resistance to one medicine often triggers resistance to others of the same class. Accordingly, HIV carriers are always treated with at least three different antiretroviral drugs, preferably belonging to at least two different classes, an approach termed HAART. The most extensive clinical data is available for the following therapy regimens:

- One NNRTI + two NRTI.
- One or two PI + two NRTI.
- Three NRTI.

Developing Resistance

Of all patients treated with antiretroviral drugs, some 40% carry viruses that have developed resistance, and eventually this figure is expected to approach 100%. Of all those people contracting infection in the US at present, some 20% are infected by HIV that has already developed resistance to antiretroviral medicines. Resistance development is also a major problem with all new drugs in the fourth class of antiretroviral medicines (fusion inhibitors) now in clinical trials. Apart from Fuzeon, this class includes small molecules that inhibit HIV's receptors—termed CXCR4 and CCR5 chemoreceptor inhibitors. Estimates indicate that the treatment of 75% of patients will fail, and accordingly, they will need new drugs.

Antiretroviral Drug Therapies

Treatment of HIV with antiretrovirals is complex; patients need three or more medicines simultaneously (HAART). Some medicines should be taken before meals, other during meals or after meals. On top of this, the medication has severe side-effects, so maintaining a regimen can be problematic. Unless medicines are administered consistently, or if their concentration in the blood becomes low, resistant strains develope. Therefore, there is some selection of patients eligible for treatment, with treatment decisions based on the degree of immunodeficiency, the risk of illness progression and the potential benefits or risk of treating an otherwise healthy person, as well as the likelihood of the patient strictly observing the therapy ordination.

The objective of treatment is the maximum and lasting reduction of viral load, the restoration and maintenance of immunological functions, enhanced quality of life and the reduction of HIV-related diseases and mortality.

Evaluating Therapies

HAART therapy is expected to achieve an initial 1log10 reduction of the number of virus particles in the blood after two to eight weeks' treatment, and no viruses detectable in the blood (< 50 copies/ml) after four to six months' treatment. Treatment failure can depend on patients not comprehensively observing their ordination, unsatisfactory effect of antiviral compounds, sub-optimal plasma levels of antiretroviral medicines and viral resistance.

If, despite resistance development, the patient is considered to have followed his or her ordination well, treatments are changed, with consideration to previous therapies and the resistance pattern of the patient's virus. However, well-functioning therapy changes can be hard to achieve if the patient has already received the optimal treatment.

Treatment Costs

On average, antiretroviral drugs cost USD 10,000 to 15,000 per patient and year in the US, with public or private healthcare systems paying for treatment in most industrialised countries.

The Market's Antiretroviral Medicines

	Company	Sales in 2002, USD m
NNRTIs		
Viramune	Boehringer	-
Rescriptor	Pfizer	-
Sustiva	Bristol-Myers Squibb	455
Stocrin	Merck	294
NRTIs		
Retrovir	GlaxoSmithKline	66
Epivir	GlaxoSmithKline	442
Combivir	GlaxoSmithKline	882
Trizivir	GlaxoSmithKline	473
Ziagen	GlaxoSmithKline	259
Hivid	Roche	-
Videx, Videx EC	Bristol-Myers Squibb	262
Zerit	Bristol-Myers Squibb	443
Emtriva	Gilead	236-239[No1)]
Viread	Gilead	425
PIs		
Invirase, Fortovase, Viracept	Roche	347
Viracept	Pfizer (US)	336
Norvir	Abbott	-
Crixivan	Merck	294
Agenerase	GlaxoSmithKline	66
Kaletra	Abbott	318[No2)]
Reyataz	Bristol-Myers Squibb	<100
Fusion Inhibitors		
Fuzeon	Roche/Trimeris	Approx. 10[No3)]

[No1)] Sales Q2 2003.

[No2)] Sales Q1-Q2 2003.

[No3)] Sales Q3 2003.

Information sourced from a report from Bridgehead Pharmalicensing Group Limited, 2004.

Products in Clinical Developmen

Generic Name	Phase	Company
RT inhibitors (not new principle)		
capravirine	III	Shionogi
Al-183	III	Bristol-Myers Squibb
elvucitabine	II	Achillion
amdoxovir	II	Gilead Sciences
(+)–calanolide A	II	Advanced Life Sciences
BILR-355	II	Boehringer Ingelheim
TMC-125	II	Johnson & Johnson
dapivirine	II	Johnson & Johnson
Alovudine (MIV-310)	II	Medivir
DPC-817	II	Pharmasset/Incyte
FTC, racemic (PSI-5004)	II	Pharmasset
SPD-754	II	Shire
SPD-756	I/IIa	Shire
GW-204937	I/IIa	GlaxoSmithKline
GW-5634	I/IIa	GlaxoSmithKline
GW-204937	I/IIa	GlaxoSmithKline
Protease inhibitors (not new principle)		
tipranavir	III	Pfizer
fosamprenavir calcium	PR	GlaxoSmithKline
KNI-272	II	Japan Energy
TMC-114	II	Johnson & Johnson
Nar-DG-35 prodrug	II	Narhex Life Sciences
NV-RX	II	Novartis
GW-640385	I/IIa	GlaxoSmithKline
Ro-0334649	I/IIa	Hoffmann-La Roche
R-944	I/IIa	Hoffmann-La Roche
DPC-681	I/IIa	Bristol-Myers Squibb
VX-385	I/IIa	Vertex Pharmaceuticals/GSK
Chemokine receptor inhibitors		
UK-427857	II	Pfizer
ONO-4128	I/IIa	Ono/GlaxoSmithKline
AMD-070	I/IIa	AnorMED
Gene therapy		
HGTV-43	II	Enzo Biochem
VRX-496	I/IIa	VIRxSYS
GEM-92	I/IIa	Hybridon
Integrase inhibitor		
L-870810	I/IIa	Merck & Co
Dextran-like compound		
DES-6	I/IIa	AusAm Biotechnologies
Antibody-like compound		
PRO-542	II	Progenics Pharmaceuticals

Information sourced from a report from Bridgehead Pharmalicensing Group Limited, 2004.

Products in Clinical Development

In the West, patients and their practitioners stay well informed of progress in antiretroviral drug development. Patients demand to receive the latest medicines if they demonstrate advantages over predecessors. Accordingly, rapid market growth can be expected when a medicine with a new mode of action (a new class) reaches the market, particularly if its side-effects are acceptable in relation to other offerings. Such a compound has major potential of being an obligatory choice in HAART.

If it was not necessary to inject the substance, if it had not caused local side-effects on virtually all patients, and quickly triggered resistant strains, Fuzeon would have enjoyed this potential. Accordingly, it is likely that Fuzeon will be reserved for salvage therapy.

Decisive success factors that determine whether a new substance can be an in-demand antiretroviral medicine:

- New mode of action oriented on resistance problems, i.e. will function on HIV that has developed resistance to other antiretrovirals.
- Fewer and less severe side-effects.
- Less inclined to trigger resistance.
- Simplicity of treatment (such as fewer tablets or not necessitating injection).
- Other strategies/products that enhance the compliance to the ordination.

Depending on mode of action, price and side-effects, new substances will:

- Become part of first choice cocktails.
- Become part of a follow-up treatment after treatment failure.
- Become part of salvage therapy.

Hepatitis C

HCV (the hepatitis C virus) exists worldwide, and causes jaundice, or hepatitis (inflammation of the liver). The word jaundice has a special significance when the liver has compromised function, residues leak into the blood, colouring the blood yellow (*jaune is French for yellow*). This yellow tone appears through surface capillaries in the skin and whites of the eyes. Thus, patients with compromised liver function often have yellow-toned skin and eyes, hence the name.

HCV is spread by contact with infected blood. There are several known ways of coming in contact with HCV, such as transfusions with infected blood, which nowadays, is very unusual. Another is to share hypodermic needles with a carrier, which primarily applies to drug abusers. Tattooing with poorly sterilised instruments can also cause infection. Typically, HCV does not spread through ordinary social or sexual contact, although unfortunately, not all infection routes of HCV have been completely defined.

There is a major need for the treatment of HCV. The WHO (World Health Organisation) states that over 3% of the world's population, or some 170 million people, are infected. There are 4 million carriers in the US, and some 10,000 deaths occur annually from illnesses such as cirrhosis of the liver and cancer.

Treating Hepatitis C Virus Infections

Nowadays, half of all HCV infections can be successfully treated, with therapy continuing for between six and twelve months, and consisting of a combination of interferon alpha and ribavirin. This is a costly therapy, unfortunately associated with some side-effects, that can result in treatment being suspended.

If Treatment is Unsuccessful

One hope is that new types of therapy can be developed, which would either be monotherapies or used in combination with existing treatments. There are several feasible avenues for developing new therapies; such as those directly influencing the virus and suppressing its capacity to multiply or infect new cells. Several companies are working to try to develop this type of drug. Another alternative is to attempt to activate the infected person's immune defence against HCV, with the advantage that the body's own immune system is used to control, and eliminate, the infection. This type of vaccine is known as therapeutic and effective therapeutic vaccines enjoy additional advantages; they could also be used prophylactically to prevent new HCV infection.

The Shortage of Functional HCV Vaccines

HCV has one characteristic very similar to HIV-1: it changes its appearance constantly. The development of an effective vaccine necessitates it being based on parts of the virus that cannot mutate, and always maintain a similar structure.

Methiccilin Resistant Staphylococcus Aureus

The increased usage of antibiotics in healthcare has resulted in a growing number of bacteria developing resistance to drug treatments. One bacteria resistant to all types of penicillin is called MRSA (Methicillin resistant Staphylococcus aureus). Methicillin, a penicillinase-resistant penicillin is used against bacteria transmitted within hospitals and that have become resistant to ordinary penicillin. The major problem with patients infected with MRSA is that they can develope severe complications such as septicaemia that cannot be treated with antibiotics.

MRSA is a very severe and burgeoning problem in the West, with an estimated two million patients contracting nosocomial infections (infections that originate in hospital) every year.

The Influenza A Virus

The Influenza A virus causes the Influenza that recurs each winter; this virus comes back on a regular basis because its membrane proteins (outer surface) mutates, and changes. This means that at-risk groups such as older people, people with compromised immune systems or sufferers of chronic pulmonary diseases can be susceptible to new infections each winter despite repeated vaccinations. The Influenza A virus is suspected to be involved with some 30,000 to 150,000 deaths each year in the US, and every year, a vaccine is produced based on the current Influenza A strain in circulation. The estimated value of the global market for Influenza A vaccines is some USD 1 bn. Current estimates indicate that this market will double in the next five years.

Allergies

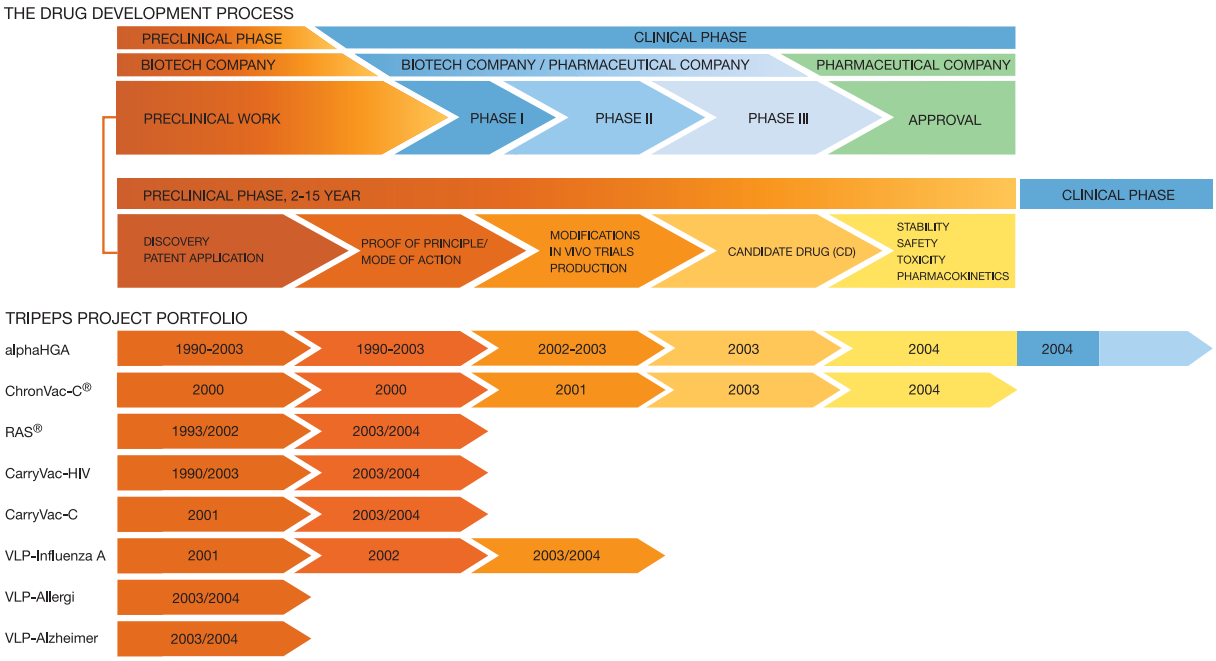
Allergies to plants and animals are a common and growing problem in the West, with current estimates indicating some 100 to 150 million people worldwide suffering from asthma, which is closely linked to allergies. One common denominator for most types of allergies is an allergen binding to IgE molecules, which then bind to immune cells, whereupon an allergic reaction is caused by histamine being released.

At present there are several allergenic therapies encompassing histamines, active immunisation or hyposensibilisation and passive immunisation.

Alzheimer's Disease

Alzheimer's disease is the most common and well-known dementia disorder, with between 50 and 70% of all people with dementia suffering from Alzheimer's disease. Cerebral nerve cells, particularly those in the frontal and cerebral lobes are affected by the disease. Some 4 million people have Alzheimer's disease in the US alone; 10% of people over the age of 65 and some 50% over the age of 85 are affected, and the average cost of patient care over a lifetime is some SEK 1.4 m.

Research Portfolio



A schematic overview of drug development, illustrating the clinical phases of Tripep's research projects.

alphaHGA

In contrast to what many people believe, the introduction of combination antiviral therapies (HAART) has not resolved the HIV issue in the West. Severe side-effects and resistance to existing antiretroviral medicines has made HIV into an imminent and growing problem. Soon, half of those individuals in treatment and some 20% of newly infected will carry viruses that are resistant to one or more antiretroviral drugs. A rapid development of resistance is also a problem with all new types of antiretroviral medicines, such as fusion inhibitors, which are now in clinical development. Tripep's new CD alphaHGA has the potential to be one of the antiretroviral medicines that does not have these problems, i.e. being a compound with a new mechanism, few or no side-effects, and to which viruses cannot develop resistance.

alphaHGA is the result of intensive research based on the positive results and experience of previous efforts on the compound GPG®. alphaHGA is an entirely new type of compound for treating HIV/AIDS. Its mode of action differs from those HIV drugs in use or development.

Tripep demontrated earlier that the tripeptide GPG® suppresses the multiplication of HIV in vitro. Unfortunately, GPG® was not active in clinical trials in humans. The reason turned out to be that the actual HIV-suppressant effect was not generated by GPG® itself. The tripeptide had first to be converted to the active substance alphaHGA. In the in vitro experiments, GPG® acted like a prodrug. This is not unusual amongst pharmaceuticals, and would not have presented a problem if humans did not lack the ability to convert GPG® into alphaHGA.

GPG® worked in vitro with infected cells because calf blood components had been introduced to keep the cells healthy. One of these components had the capability to convert GPG® into alphaHGA. Before its structure was known, this agent was dubbed MetaboliteX ('the unknown metabolite'). Tripep devoted much of 2003 to determine the molecular structure of the HIV-inhibitory substance that GPG® was converted to (alphaHGA). In October, Tripep was finally able to determine its structure, and named it alphaHGA. Subsequently, Tripep also succeeded in preparing a method to synthesize the substance.

Since GPG® was converted to alphaHGA both in the in vitro experiments and in the animal toxicity and pharmacokinetic studies, Tripep already possesses sizeable amount of data and experience that are transferable to the alphaHGA project.

alphaHGA is the first substance in an entirely new class of HIV inhibitory medicines. Accordingly, viruses that have developed resistance to other antiretroviral drugs remain sensitive to alphaHGA. In vitro, it has been impossible so far to provoke resistance to alphaHGA with GPG®. Tripep also anticipates alphaHGA to have

Strengths

- alphaHGA is an entirely new class of antiretroviral medicine (with a new mode of action) and therefore, exhibits no cross-resistance to other drugs, i.e. is active on viruses that are resistant to other antiretroviral medicines.
- Several years of in vitro provocation experiments with GPG® have been unable to give resistant HIV. Because in these trials, GPG® was converted to alphaHGA, the conclusion is that HIV has great difficulty in developing resistance to alphaHGA. In similar experiments, HIV resistant to other antiretroviral drugs is detected after a few weeks to a few months.
- The risk of alphaHGA giving rise to side-effects (toxicity) in animal trials is likely to be modest; alphaHGA is expected to have a favourable side-effect profile in humans.
- Tripep possesses sizeable amount of data on alphaHGA through its exhaustive preclinical studies on GPG®.
- Strong long-termed patent protection. The patent protection has started a new term because of the discovery of alphaHGA.

Weaknesses

- Small organisation can cause delays if workloads become excessive, which can be solved with consultants, although they may take time to appoint, making the company vulnerable to delays.
- No clinical data as yet.
- The expected relatively high doses that will be necessary (up to gram) would necessitate large-scale production at reasonable prices to be competitive (addressing a global need).
- Relatively limited cash reserves when alphaHGA enters its costly clinical phase.

The biggest threat to drug development is that the CD does not function for some reason, usually due to safety (unacceptable side-effects). Because experiences with GPG® on mini-pigs were so exceptionally positive, and because alphaHGA is expected to be well tolerated, the biggest risk for alphaHGA not functioning is expected to

a favourable side-effect profile, based on studies performed on mini-pigs, which did not exhibit any side-effects after the administration of 0.3g per kilogram of bodyweight every day for a full year (equivalent to some 25g for an adult man), which the pigs directly converted into alphaHGA.

Clinical Development Plan for alphaHGA

A project plan for alphaHGA's clinical development was adopted during the year.

Production and Formulation of alphaHGA

A production method for alphaHGA has been developed and scaled up to medium-scale production, with the first two deliveries ordered from Finnish custom synthesis provider Pharmatory. A hectogram was delivered in February, with 6 kg scheduled for delivery in May 2004. In all probability, the formulation will be gelatine capsules.

Trials in Humans

Trials in humans will be performed in the following phases:

1. Pre-phase I

Microdosage trial of alphaHGA on healthy volunteers to determine the absorption across mucus membranes in the gut and half-life in the blood. The results of this trial will offer guidance on mode of administration, as well as, dosing of alphaHGA. This trial will be performed by Pharmaceutical Profiles, Nottingham, UK, and is scheduled for completion in May 2004.

2. Phase I/II

Clinical placebo-controlled trial on alphaHGA as monotherapy in repeated and escalating dosages over four weeks on otherwise healthy HIV carriers. The primary intention of phase I trials is to demonstrate safety of the compound. One advantage with alphaHGA is that it does not confer resistance to existing drugs. Hence, a monotherapy is acceptable, unlike the case would be with new RT or protease inhibitors.

Because HIV-infected individuals have no symptoms over the first five to ten years, a phase I clinical trial can be performed on such patients. Accordingly, the first indication of alphaHGA's efficacy on HIV in humans (reduction of virus levels in the blood) may be observed already at this clinical development stage, and is therefore called a phase I/II study. The location of this trial has yet to be determined, and apart from Sweden, the possibilities of performing it in the UK, China, Russia, Thailand and Brazil are being considered.

Before the clinical trial, evaluation of possible side-effects in experimental animals is mandatory. alphaHGA has been evaluated indirectly in this context through the extensive toxicological studies performed on GPG®, which included a one-year toxicology study on mini-pigs. These animals rapidly converted GPG® into alphaHGA, and hopefully, shorter-term complementary studies on alphaHGA will be sufficient, e.g. to rule out the possibility that alphaHGA causes side-effects in the digestive membranes coincident with peroral administration. Tripep has performed comparative pharmacokinetic studies on alphaHGA after intravenous and peroral administration of GPG® and alphaHGA. If the authori-

Opportunities

- Large and growing market.
- Medical need for new, innovative therapies against HIV.
- In the West, all HIV infected patient groups are generally well informed and receptive to new therapies.
- Treatment of resistant HIV is a profitable market segment.
- Fast market penetration.
- Probably, extensive off-label use if permits are only filed for the treatment of therapy-resistant patients.
- The market is relatively price insensitive.

Threats

- Highly competitive market.
- New, better drugs from competitors.
- Regulatory obstacles.
- alphaHGA not reducing virus levels in humans with the dosage levels that can be administered.

be insufficient doses reaching the blood of patients. However, Tripep's calculations indicate that a peroral dose of 1g would be more than sufficient for more than ten times the dose that gives a 50% reduction of virus levels, which is the recommendation, being absorbed into the blood. For example, an ordinary penicillin dose is 1-2g, 2-3 times daily.

ties do not accept a more basic complementary study, a four-week toxicology study on two animal species would be necessary before conducting a four-week trial in humans. Tripep's project plan assumes that all toxicology studies will have to be redone.

Approval from the Swedish Medical Products Agency to begin trials usually takes about two months, and as a consequence, the phase I/II trial is scheduled to start by autumn 2004, if performed in Sweden, and will be completed some three months later.

3. Phase II/III

A larger-scale phase II trial or phase III trial on infected people with therapy failure, i.e. people whose virus has developed resistance to existing antiretroviral drugs. Existing treatment will be supplemented with alphaHGA in these trials, and if the trials indicated in points 1. and 2. above proceed according to plan, the phase II/III trials could begin in 2005.

ChronVac-C®

ChronVac-C® is the project name for a therapeutic vaccine against chronic hepatitis C infection. The objective of this project is to develop a vaccine on the basis of Tripep's patent-pending vaccine gene. The vaccine is primarily intended for use on people already infected with HCV, i.e. a therapeutic vaccine.

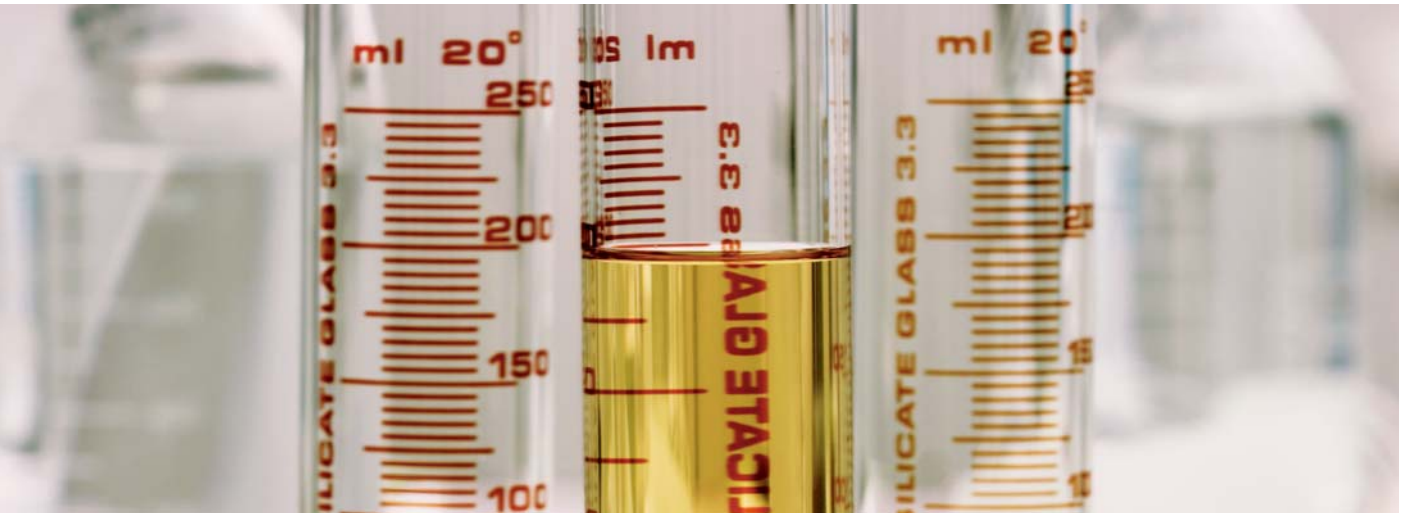
Although there are HCV drugs on the market at present, they do not function for all patients. One approach that has attracted extensive research and development resources is therapeutic vaccinations, but as yet, no such vaccine is available on the market. The primary explanation is that HCV has high genetic variability and constantly mutates. What is probably necessary is broad immune activation to neutralise or control the virus.

Tripep's vaccine is based on a genetically stable part of the virus, which in several animal models, has demonstrated itself as being able to activate a strong immunological reaction against parts of the hepatitis C virus.

Tripep's researchers have refined and filed a patent for this vaccine. The previously reported CD was tested in a new carrier system during the year (Semliki Forest virus, SFV) with positive results. The final evaluation is currently underway to determine how this vaccine should be administered. The preparations for clinical phase I trials are proceeding according to plan.

Before the vaccine is tested in humans, an evaluation to demonstrate that the vaccine is safe and does not trigger unexpected side-effects, termed preclinical evaluation, must be undertaken. The next step is to collate all data, and thereafter, an application to an ethical committee and the Swedish Medical Products Agency will be filed for permission to perform a phase I trial on healthy volunteers. This trial is intended to demonstrate that the vaccine is harmless in humans, and if it can activate the immune defence against HCV in humans as effectively as demonstrated in animal trials. If this is proved, a phase II trial will be performed on chronically infected HCV patients.

Because Tripep has chosen to focus its in-house resources on alphaHGA's clinical trials, ChronVac-C®'s clinical programme will be deferred somewhat, and accordingly, Tripep cannot specify when clinical trials on ChronVac-C® may begin.



RAS®

RAS® (Re-directing Antibody Specificity) is a technology platform invented and patented by Tripep. The first application the company is focusing on is MRSA.

RAS-Staf® technology works on the basis of re-directing antibodies already present in the body to attack, in this case, Staphylococcus aureus bacteria. These antibodies are already created by the body for other reasons. The actual redirection is achieved by RAS® peptides, a synthetic peptide, one terminal of which binds to the antibody via a sugar molecule, and whose other terminal binds to part of the Staphylococcus aureus. Through this redirection of the binding characteristics, existing antibodies can be utilised to attack new targets.

In 2003, the focus of the RAS-Staf® project was on the production and evaluation of RAS® peptide where the antibody-binding part consists of a sugar molecule (gal-alfa-1.3-gal). The advantage is that everybody has large amounts of antibodies against precisely this sugar molecule, and therefore, the same molecule can be used on all patients.

If proof of concept is received on the first RAS® peptide against Staphylococcus aureus, there will be opportunities to enter research and development agreements associated with RAS® as a platform technology for other applications.

RAS® technology can be utilised on applications other than nosocomial illness; all therapies where monoclonal antibodies can be used are potential opportunities, including cancer, toxin-related diseases and most infectious diseases. Research to produce RAS® molecules against HIV proceeded during the year, with a number of peptides that recognise the surface structure of HIV being produced. These molecules will be incorporated into new RAS® molecules.

CarryVac-HIV and Carry Vac-C

Tripep is pursuing the development of prophylactic HIV and HCV vaccines in collaboration with the VRISD (Vaccine Research Institute of San Diego) under the direction of Dr. David Milich.

One widely accepted approach for suppressing HCV and HIV infections is to achieve sufficiently high antibody levels to prevent the virus from infecting new cells using vaccination. One major problem in developing vaccines, however, is achieving these high antibody levels. Because both viruses have the capacity to mutate continuously, one additional requirement is to identify parts of the virus that remain constant, i.e. that cannot mutate, and this is what Tripep's researchers have achieved.

Therefore, the strategy is to use those genetically stable parts of HIV-1 and HCV sheath proteins that the antibody can bind to, and thereby attack the virus. Using genetic technology, Tripep's HIV and HCV sequences are inserted into a carrier molecule developed at VRISD, a carrier molecule that elicits a very strong antibody response. With those vaccines now being developed by Tripep and VRISD, it should be possible to achieve antibody levels that can protect against HIV and HCV infection.

Work is underway in parallel to identify, test and enhance HIV and HCV sequences that activate virus-neutralising antibodies and to optimise the carrier technology. For HIV, Tripep has demonstrated that via

the new carrier technology, the sequences induce high antibody levels. The company anticipates that through optimisation, it will attain a further increase to antibody levels. Four genetically stable sequences have been developed for HCV that activate the antibodies that bind to HCV from patient trials. These sequences have now been introduced to VRISD's carrier platform. Immunisation of mice has demonstrated positive results for the first candidates, and the VRISD particles are now being produced for all four of Tripep's sequences. Development initiatives around further components of this vaccine are underway.

New Vaccine Adjuvants

A US patent was granted to Tripep for the use of the substance ribavirin as an adjuvant in virus vaccines in January 2004. This patent, the first in a new family, defines for the first time how the substance ribavirin can be used to enhance the immune response (functions as an adjuvant) in vaccinations with various virus antigens. Ribavirin has been in existence for 30 years and is now used in peroral treatment either of chronic HCV infections or respiratory tract infections with RSV (respiratory syncytial virus), which is not encompassed by Tripep's new patent.

In the mid-1990s, two research groups, one at the Karolinska Institute of Stockholm, Sweden, independently discovered that daily treatment with ribavirin can produce immune activation characteristics.

Through continued research, Tripep's researchers discovered that ribavirin can operate as a vaccine adjuvant when combined and administered together with virus antigens, and filed a patent application. Now, extensive research worldwide is being pursued to identify new vaccine adjuvants. The currently predominant vaccine adjuvant for use in humans is called alumn which consists of aluminium hydroxide. It is safe but unfortunately, does not have entirely satisfactory immune activation characteristics.

A significant portion of Tripep's operations is based on developing vaccines, and therefore, it is extremely important to identify new substances that function as adjuvants. If these compounds can be combined with Tripep's vaccines, this would further consolidate the company's patent position.

Tripep filed its first patent application in this family with the US Patent Bureau in 2000. The claim of this now-approved US patent encompasses all combinations of the virus antigens and ribavirin. Tripep will be seeking licensees for this technology, for example vaccine companies. Tripep's researchers are currently evaluating the possibilities of combining this technology with Tripep's ChronVac-C® and CarryVac-C vaccines, and those vaccines developed jointly owned enterprise VLP Biotech Inc.

VLP Biotech Inc.

The technology developed at VRISD that Tripep has accessed through the CarryVac collaboration is expected to enjoy sizeable potential. To develop and exploit this potential optimally, Tripep's researchers and VRISD decided to incorporate a new vaccine enterprise, VLP Biotech Inc., in which Tripep has a 30% holding. VLP is an abbreviation for 'virus-like particle', the basis of VRISD's vaccine carrier technology.

Over the last two years, VRISD has concentrated on creating secure patent protection for its technology, and on initiating the development of three new vaccines with extensive market potential. These three targets—Influenza A, allergies and Alzheimer's—will be the first product areas where VLP Biotech focuses its resources.

VLP-Influenza A

Like CarryVac-HIV and CarryVac-C, VLP Biotech is developing a vaccine based on those parts of the Influenza A virus that do not change between different Influenza A virus strains. The intention of this vaccine is to replace all existing Influenza A vaccines. The evaluation of the first vaccine candidates, in terms of their efficacy in infectious animal models, has begun.

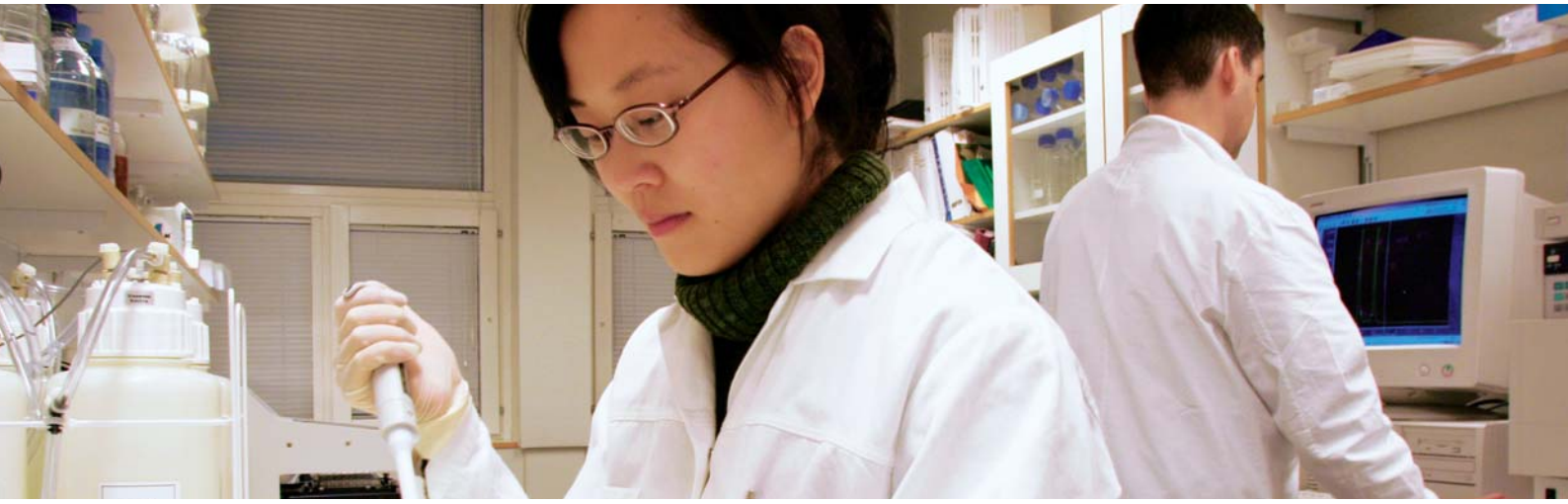
VLP-Allergy

VLP Biotech has started the development of two types of vaccine against allergies, one that acts generally by suppressing IgE triggered histamine release and one that prevents IgE binding to various allergens.

VLP-Alzheimer

VLP Biotech is working on a vaccine that activates antibodies against the ß-amyloid protein. The intention of this vaccine is to delay or suppress the disease expressing. Well-functioning animal models are available for evaluating vaccine effectiveness.

A Network of Know-how



Human Resources

Tripep has modest in-house resources, with ten employees, and others working directly or indirectly as consultants via research institutes. Those researchers employed by Tripep have many years' experience of managing research organisations and developing drugs against viral diseases. These professionals have access to models for evaluating anti-HIV and hepatitis C agents. Several employees own shares or options in Tripep.

VLP Biotech

As an element of Tripep's vaccine development initiatives, together with researchers at the VRISD, Tripep incorporated VLP Biotech, and now owns 30% of this enterprise. Tripep's scientific know-now in peptide technology and immunology will contribute to VLP Biotech's product development.

Tripep's Network of Know-how

Despite its modest organisational resources, Tripep can assure research on all its projects through a sizeable array of collaboration partners and subcontractors. To be able to develop its products and projects optimally, Tripep collaborates with researchers that are world-leaders in their fields. These collaboration partners contribute rigorous know-how and assist actively in the development of the company's research operations.

A large proportion of Tripep's research work is pursued through its external network of know-how. The company has identified and initiated collaborations with skilled partners in Sweden and other countries. There are several advantages of working in networks; projects are less resource intensive for Tripep, while more players can also participate and share the risks inherent in drug development work. Operating in networks also enhances freedom of choice, by means including the company being able to influence the composition of competencies on projects more freely. Moreover, this enables Tripep to focus its internal resources.

Establishing smoothly functioning external research collaborations necessitates a broad contact interface with various types of sector player. In total, Tripep's staff has an extensive contact network in the pharmaceutical industry and academic world, based on the lenghty experience in the trade of many of its professionals, either as researchers, clinicians or as university professors.

Tripep collaborates with research teams at some of Sweden's pre-eminent research institutions: the Karolinska Institute, the Sahlgrenska University Hospital and the University of Uppsala. Experimental research is located in university laboratories, while the more industrially oriented research is performed at Tripep's laboratories at the Novum Research Park in Huddinge, near Stockholm, Sweden.

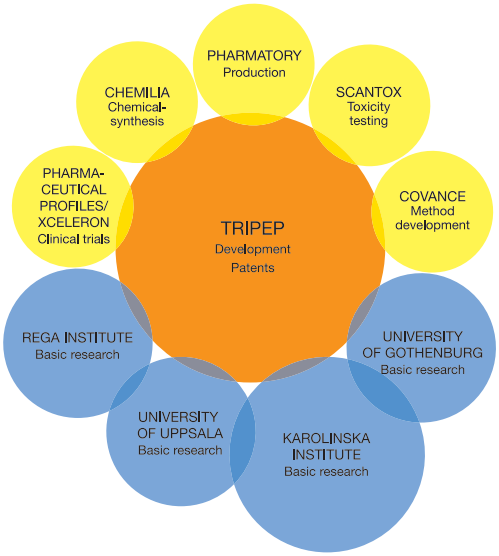
Safeguarding Value

Formalised collaborations ensure the values created by the company's external collaboration partners and subcontractors benefit Tripep.

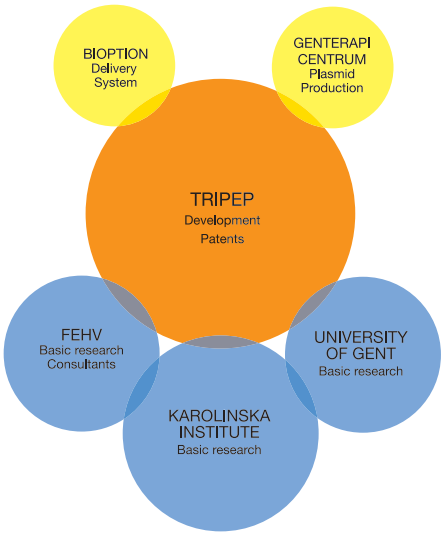
A number of option plans have been implemented, to tie-in valuable know-how to the company and to enhance staff motivation. Tripep has agreements with university researchers involving the transfer of rights of ownership of their discoveries to Tripep.

A Network of Know-how

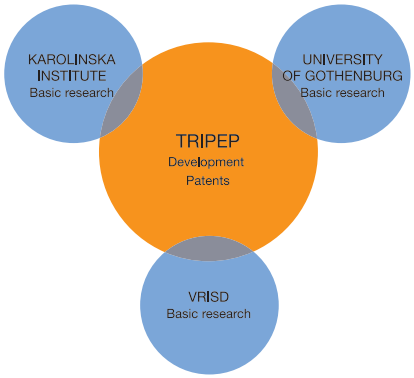
alphaHGA



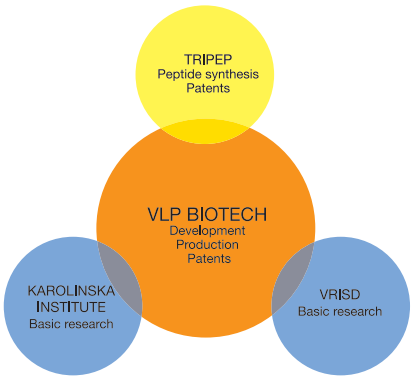
ChronVac-C®



RAS®, CarryVac-HIV and CarryVac-C

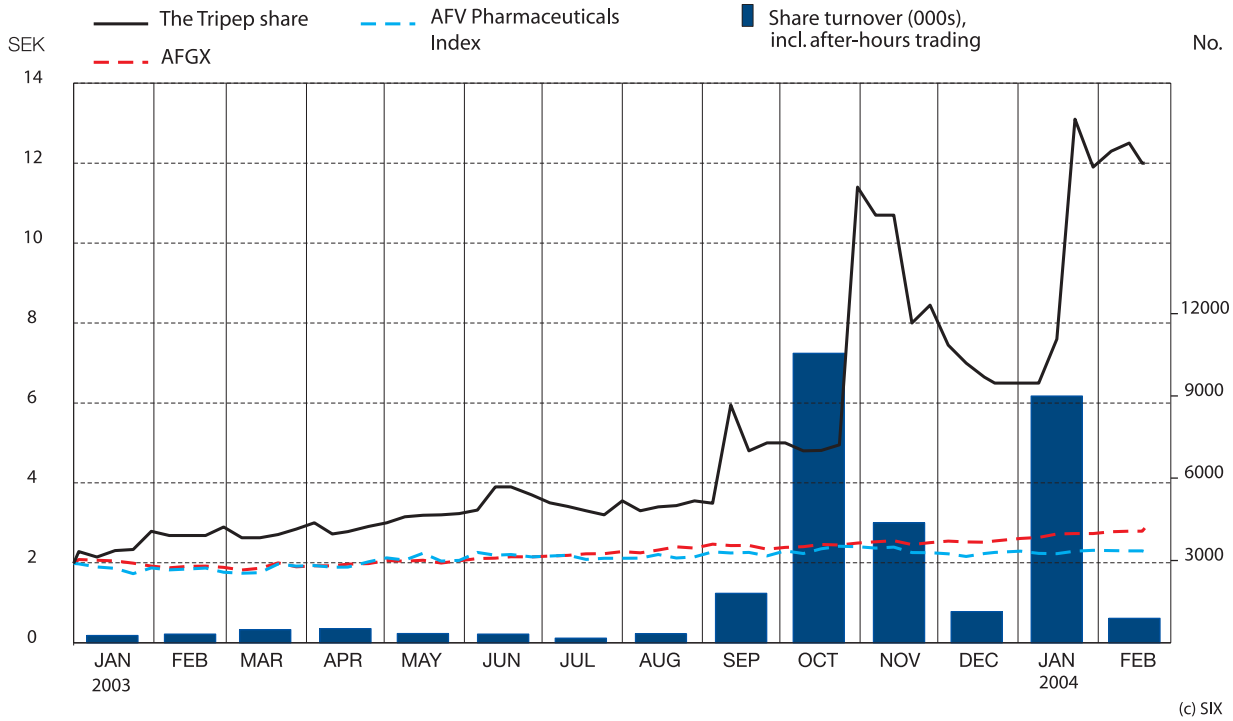


VLP-Influenza A, VLP-Allergi and VLP-Alzheimer



Tripep utilises its resources very effectively by creating an independent network of the appropriate know-how for each project. As is apparent from the illustration, Tripep's network comprises academic partners (in blue) and commercial partners (in yellow). Some partners possess competences that are applicable to several projects. This means that each project is operated cost-efficiently and can be expanded quickly once a scientific breakthrough has been made. One example in this context is alpha-HGA, the structure discovery of which resulted in a rapid gearing up to maximum speed of reserach efforts by quick budget reallocation. Due to this prioritisation, the clinical development of ChronVac-C® was deferred because the alphaHGA project was considered to have a shorter time to clinical phases. Jointly owned enterprise VLP Biotech is pursuing the development of three vaccine projects, with Tripep and the Karolinska Institute providing the design and preparation of synthetic peptides on these projects. VRISD is undertaking the basic research for the development of the vaccine platform. To summarise, Tripep's cost-efficient organisational resources are supported by world-leading research institutes and highly specialised enterprises.

The Tripep Share



The Share

There are 13,850,000 Tripep shares with a nominal value of SEK 0.20 per share. At full dilution, there would be 16,546,120 shares (information on the company's outstanding option plans is provided in Note 15). Tripep's share capital is SEK 2,770,000. All shares confer equal rights to Tripep's assets and profits, and to one vote.

The Tripep share has been quoted on the Stockholm Stock Exchange O-list since 14 July 2000. Its code is TPEP. A trading lot is 2,000 shares. At year-end 2003, Tripep's market capitalisation was SEK 80 m including holdings of its own shares. The Tripep share reached a high of SEK 15.00 on 29 October 2003 and a low of SEK 2.58 on 22 April 2003. A total of SEK 179.8 m of Tripep shares were turned over in 2003 and the rate of turnover was 270%.

Share Buy-back

The Annual General Meeting of 27 March 2003 resolved on a buy-back programme implying that Tripep targeted an offering to shareholders to sell every tenth share for SEK 30. After final calculation, Tripep had acquired 1,356,345 shares, equivalent to acceptance of 97.9%. Some SEK 40.7 m was transferred to shareholders. The shares will be usable as payment coincident with corporate and/or project acquisitions.

Shareholders

On 30 December 2003, Tripep had 3,459 shareholders, 123 of which were foreign. At the end of December 2003, the 10 largest shareholders held 63.36% of the vote and capital. At 30 December 2003, institutional ownership amounted to 3.8% (1.8% held by foreign institutions). The share of Swedish private ownership was 49%.

Dividends

The company's dividend policy stipulates that no dividends to shareholders will be considered until the company becomes profitable. No dividends were paid in 2003, and the Board proposes no dividends being paid for the financial year 2003.

Ownership as of 30 December 2003

Name	No. of Shares	Holding (%)
Dormant Properties AB	3,096,841	22.36
Tripep AB	1,356,345	9.79
Vahlne, Anders	1,172,700	8.47
Horal, Peter	632,700	4.57
Malmsten, Johan	612,810	4.42
Malmsten Invest AB	612,810	4.42
Svennerholm, Bo	612,000	4.42
Möller, Hans	340,980	2.47
Sällberg, Matti	174,960	1.26
Svenska Handelsbanken S.A	162,835	1.18
Other	5,075,019	36.64
Total	**13,850,000**	**100.00**

Source: VPC AB

Shareholder Statistics as of 30 December 2003

No. of Shareholders		No. of shares
1 - 500	2,160	409,891
501 - 1,000	570	501,683
1,001 - 2,000	346	606,060
2,001 - 5,000	222	773,662
5,001 - 10,000	86	653,836
10,001 - 20,000	31	445,994
20,001 - 50,000	20	588,934
50,001 - 100,000	9	689,890
100,001 - 500,000	8	1,374,344
500,001 - 1,000,000	4	2,470,320
1,000,001 - 5,000,000	3	5,335,386
Total	**3,459**	**13,850,000**

Source: VPC AB

Per-share Data

	2003	2002	2001	2000
Earnings before full dilution, SEK	– 1.00	– 3.07	– 4.52	– 3.75
Earnings after full dilution, SEK	– 1.00	– 3.07	– 4.52	– 3.75
Dividend, SEK	-	-	-	-
Shareholders' equity before dilution, SEK	3.89	7.41	10.48	15.06
Shareholders' equity after full dilution, SEK	8.56	10.86	13.61	17.63
Average number of shares outstanding	13,030,542	13,850,000	13,758,333	13,750,000
Shares outstanding at the end of the period	12,493,655	13,850,000	13,850,000	13,750,000

For calculation principles, see Note 4, Earnings per Share. Previous periods have been recalculated.

Share Capital History

Since 1997, the company's share capital and number of shares have progressed as follows:

Year	Transaction	Increase in no. of ordinary shares	Increase in no. of preference shares	Increase in share capital, SEK	Total no. of ordinary shares	Total no. of preference shares	Nominal value of shares, SEK	Share capital, SEK
1997	Registration				1,000		100	100,000
1997	New issue [No 1)]		200	20,000		200	100	120,000
1999	Exercise of options		408	40,800		608	100	160,800
1999	Exercise of options		392	39,200		1,000	100	200,000
1999	Share split 100:1	99,000	99,000		100,000	100,000	1	200,000
1999	Bonus issue	900,000	900,000	1,800,000	1,000,000	1,000,000	1	2,000,000
1999	Conversion of preference to ordinary shares	1,000,000			2,000,000		1	2,000,000
2000	Private placement [No 2)]	300,000		300,000	2,300,000		1	2,300,000
2000	Share split 5:1	9,200,000			11,500,000		0.2	2,300,000
2000	Private placement [No 3)]	2,250,000		450,000	13,750,000		0.2	2,750,000
2001	Exercise of options [No 4)]	100,000		20,000	13,850,000		0.2	2,770,000

[No 1)] A new issue of 200 preference shares was effected in November 1997 at a subscription price of SEK 18,000. The issue raised SEK 2.9 m for the company net of issue costs.This new issue was subscribed by institutional investors.

[No 2)] A private placement of 300,000 new shares to institutional investors was effected in February 2002. The issue price was SEK 170 and the company raised SEK 47.9 m net of issue costs.

[No 3)] The subscription price was set at SEK 90 coincident with the IPO in July 2000. The company raised SEK 202.5 m.

[No 4)] The Swedish Industrial Development Fund pursuant to option certificates written in May 2000.

Board and Management


Rolf L Nordström


Erik Nerpin


Matti Sällberg


Anders Vahlne

Board of Directors

Rolf L Nordström, born 1955

Chairman since 17 September 2002.
B.Sc. (Econ.), University of Lund, Sweden.
Positions: Executive Chairman of International Real Estate PLC, quoted on the London Stock Exchange. Chairman of multinational mining and prospecting company MinMet plc, quoted on the Dublin and London Stock Exchanges.
Experience: Active in the real estate sector in Europe since 1980, and in multinational mining and prospecting corporations since 2001. Mr. Nordström was active in, and a Board member of a US veterinary medicine company in 1995-1997.
Shareholdings: Indirect interests through a trust holding 3,096,841 shares.
Option holdings: 0.

Erik Nerpin, born 1961

Board member since 17 September 2002.
LLB, University of Uppsala, Sweden.
Positions: Board member of Lapland Goldminers AB and Tethys Oil AB.
Experience: Attorney-at-law. Active with legal practice Linklaters Advokatbyrå since 1992, partner since 1999. With a prime focus on stock exchange and company law issues.
Shareholdings: 0.
Option holdings: 0.

Matti Sällberg, born 1961

Co-founder of Tripep.
Board member since 17 September 2002.
D.D.S., Ph.D., the Karolinska Institute. Professor.
Positions: Holds a number of international and domestic positions as a scientific reviewer for various support bodies and scientific journals. Since 1992, Professor Sällberg has been active on several committees and boards at the Karolinska Institute.
Experience: Active viral immunology researcher since 1988. Ph.D., the Karolinska Institute. Associate Professor at the Karolinska Institute since 1997. Since 2000, Professor of Biomedical Analysis at the Karolinska Institute. Former EU network co-ordinator. Tripep employee since 1998.
Shareholdings: 174,960 shares.
Option holdings: 1,120 series A, 5,000 series B,1,600 series C and 200,000 series D.

Anders Vahlne, born 1946

Co-founder of Tripep.
Board member, 1997-June 2002, and 17 September 2002 onwards.
M.D., Ph.D., University of Gothenburg, Sweden. Professor.
Positions: Member of the International Scientific Advisory Board of the Conway Institute, University College, Dublin, Ireland. Board member of VLP Biotech Inc., San Diego, US.
Experience: Ph.D., 1978 in Clinical Virology at the University of Gothenburg, Sweden. Professor of Clinical Virology at the Karolinska Institute since 1994. VP, Head of Research, Tripep AB. Founder and former Board member of Maxim Pharmaceuticals Inc. Former Board member of Resistentia Pharmaceuticals AB and member of the Scientific Advisory Boards of Supratek, Pharma Inc. and Accuro Immunology AB. Tripep employee since 1997.
Shareholdings: 1,172,700 shares.
Option holdings: 210,000 series A.

Johan Ihre

Anders Vahlne

Åsa Ekstrand

Management

Johan Ihre, born 1948

Chief Executive Officer since 17 December 2002.
B.Sc. (Econ.), University of Stockholm, Sweden.
Experience: Broad domestic and international experience of over 20 years' of senior executive positions in the banking and financial sectors.
Shareholdings: 11,809 shares.
Option holdings: 60,000 series D.

Anders Vahlne, born 1946

Co-founder of Tripep, VP, Head of Research, Tripep AB.
Board member 1997 - June 2002, 17 September 2002 onwards
M.D., Ph. D., University of Gothenburg, Sweden. Professor.
Experience: Ph.D. in clinical virology at the University of Gothenburg, Sweden, 1978. Professor of clinical virology at the Karolinska Institute since 1994.
Shareholdings: 1,172,700 shares.
Option holdings: 210,000 series A.

Åsa Ekstrand, born 1957

Chief Financial Officer, Tripep employee since August 2002.
B.Sc. (Econ.) University of Stockholm, Sweden.
Experience: Professional experience as accounting and financial manager in various sectors since graduation. Self-employed consultant specialising in consolidated accounting in 1994 - 2002.
Shareholdings (including relatives): 1,500 shares.
Option holdings: 15,000 series D.

Auditors

Anders Wiger

Authorised Public Accountant, Ernst & Young.
Tripep's Auditor since 1997.

Marine Gesien

Authorised Public Accountant, Ernst & Young.
Tripep's Deputy Auditor since 2003.

Corporate Governance

Annual General Meeting

Pursuant to Swedish company law and Tripep's Articles of Association, shareholders exercise their voting rights at the AGM to reach decisions regarding the composition of the Board and other central questions.

Nomination Committee

To enhance the prospects of a thorough selection process and to guarantee the quality and openness of nominations ahead of Board elections, a Nomination Committee was established in 2003, intended to submit proposals on the composition of the Board and to propose remuneration for the Board and auditors. The Committee members are the Chairman of the Board Rolf L Nordström, Bo Svennerholm, Professor at the Sahlgrenska Hospital, Gothenburg and Peter Horal, Associate Professor at the Sahlgrenska Hospital. The Committee held one meeting at which minutes were taken in the financial year and maintained ongoing contact.

Audit Committee

During the year, Tripep considered the matter of establishing a formal Audit Committee. The AGM for the financial year 2002 decided not to instruct the Board to establish the Audit Committee. The Board of Directors is liable for safeguarding scrutiny and control through reports and ongoing contacts with the company's auditors.

Remuneration and Incentive Plans

Tripep has a Remuneration Committee whose members are the company's Chairman Rolf L Nordström and the Head of Research, Anders Vahlne. The purpose of the Remuneration Committee is to prepare proposals for the AGM regarding incentive plans and remuneration for senior executives. No special remuneration to the management group apart from already initiated option plans occurred during the year.

Various option plans have been prepared to create the right prospects for associating valuable know-how to the company and to enhance staff motivation. Information on option plans is provided in the Accounting Principles and Notes.

Board Actions

Tripep's Board of Directors has four members. The Board members possess extensive knowledge of drug research and business development, strategy and legal issues. The Chief Executive Officer and Head of Research present to Board meetings.

The Board has adopted procedural rules and instructions for the division of responsibility between the Board and Chief Executive Officer. These procedural roles are based on the Swedish Companies Act's designation of overall responsibilities of the Board and Chief Executive Officer, and otherwise, on the Board's approved agenda with clearly delineated responsibility within the company, and on the policies approved by the Board. The Board of Directors deals with accounting, budget and acquisition issues as well as research, collaboration and outlicensing issues, plus overall strategic questions. Otherwise, the Board is responsible for the company's organisational resources and management, pursuant to the Swedish Companies Act.

The Board holds regular Board meetings pursuant to the agenda of its procedural roles, which include predetermined points for consideration. In 2003, the Board met on 11 occasions when minutes were taken, one being the Board meeting following election. The most important issue the Board considered during the year was alphaHGA and its onward development, the incorporation of vaccine development enterprise VLP Biotech Inc. and efforts ahead of the potential, but not consummated, acquisition of the vaccine company Isconova AB.

Management Group

Tripep's management group comprises the Chief Executive Officer, Head of Research and Chief Financial Officer. The Chief Executive Officer is responsible for implementing Board decisions and delegating the various issues to the members of the management group.

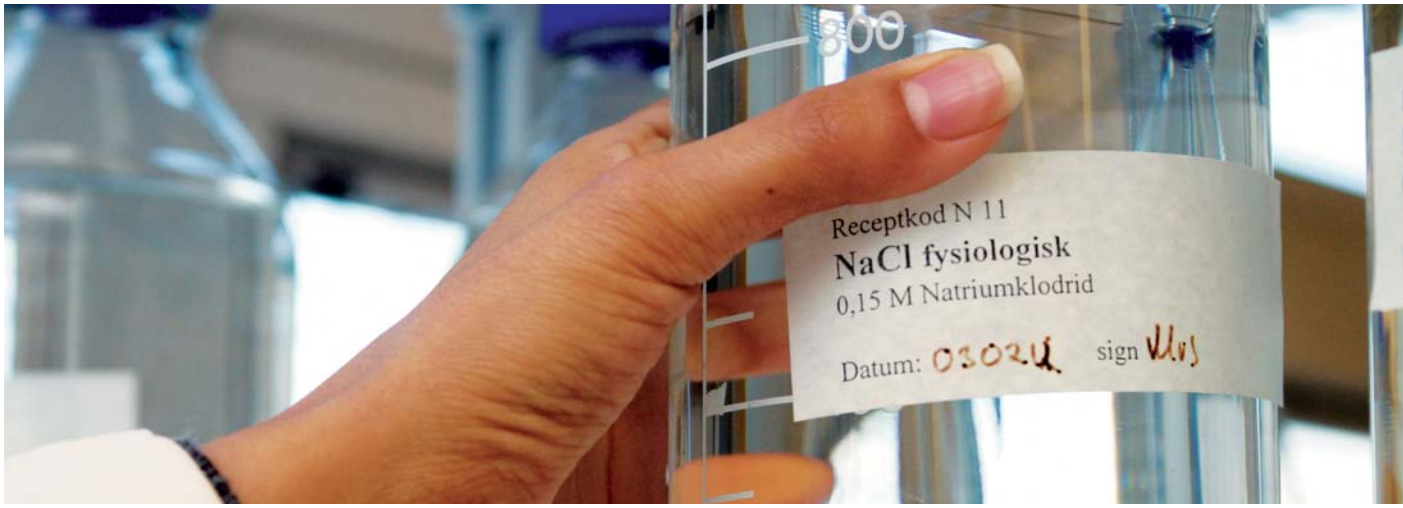
Organisational Resources

Tripep has a compact in-house organisational structure with a broad array of collaboration partners and subcontractors. Experimental research is located at the original university laboratories for each technology platform. Other research is conducted at Tripep's own laboratories. Safeguarding functional control of the company's external know-how is the key to its success. To safeguard the values created, Tripep has formalised collaborations and prepared incentive plans.

Investor Relations

Tripep's objective is to stimulate investor interest. Tripep will always provide relevant, up-to-date and speedy communication. All its contacts with external markets are through the Chief Executive Officer and the Head of Research. Tripep's Website, www.tripep.se, publishes all information on the company's progress and its shares.

Advisory Boards



Scientific Advisory Board

Tripep's SAB (Scientific Advisory Board) provides research projects with advice, support and scientific criticism. The SAB meets biannually, and in addition, maintains ongoing contact. Apart from contributing on the SAB, two members have contracted collaborations with Tripep. The SAB had two scheduled meetings and a number of ongoing contacts through the year.

Professor Jan Balzarini, M.D. Ph.D.

World-leading researcher in the antiviral (HIV) field. Professor at the medical faculty of the Riga Institute for Medical Research, Leuwen, Belgium. Internationally recognised developer of antiviral agents.
Shareholdings: 0.
Option holdings: 20,000 series B, 20,000 series C and 60,000 series D.

Professor William W. Hall, M.D. Ph.D.

Professor of Medical Microbiology and Vice President of University College Dublin, Ireland. Dr. Hall is a world-leading expert on retroviruses. Member of the editorial boards of the Journal of Neurovirology, AIDS Research and Human Retroviruses and Neuropathology. Board member of the Institute of Human Virology, Baltimore, MD, US. Former Chairman of the International Society for Human Retrovirology.
Shareholdings: 0.
Option holdings: 20,000 series A, 20,000 series C and 60,000 series D.

Professor Hilary Koprowski, M.D. Ph.D.

Former Director of the Wistar Institute. Professor at Thomas Jefferson University, Philadelphia, US. Dr. Koprowski is a world authority on viral research. He has previously participated in the development of polio and rabies vaccines, and also involved in the foundation of Centocor Inc.
Shareholdings: 0.
Option holdings: 20,000 series A, 20,000 series B, 20,000 series C and 60,000 series D.

Professor Ragnar Norrby, M.D. Ph.D.

General Director of SMI (the Swedish Institute for Infectious Disease Control). Professor of Infectious Diseases at the University of Lund, Sweden. Professor Norrby is an internationally renowned infectious diseases practitioner and antibiotics researcher.
Shareholdings: 0.
Option holdings: 20,000 series B, 20,000 series C and 60,000 series D.

Clinical Advisory Board

Tripep also has a CAB (Clinical Advisory Board) that contributes on the design, evaluation and strategic planning of the company's clinical trials of HIV-related CDs. Professor Luc Perrin, Dr. Graham Moyle and Dr. Bonaventura Clotet Sala are the CAB's members; none of the CAB's members hold Tripep shares or options. Because Tripep did not run any clinical phase trials in 2003, the CAB did not hold any formal meetings during the year.

TRIPEP AB (PUBL)
CORPORATE IDENTITY NUMBER 556541-1898

OPERATIONS

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

- research and development of alphaHGA, 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,
- producing vaccines against Influenza, allergies and Alzheimer's disease through associated company VLP Biotech Inc.

Collaboration Agreement

Tripep's strategy is to develop elements of its project portfolio alongside partners, who can contribute know-how and other resources.

Tripep is pursuing a collaboration agreement with VRISD regarding the development of vaccines against HIV, hepatitis C and staphylococcus aureus (nosocomial bacteria).

The collaboration on alphaHGA is being pursued with Professor Jan Balzarini at the Rega Institute, Leuwen, Belgium.

PROFIT AND FINANCIAL POSITION

Profit/Loss

The loss after financial items for 2003 was SEK –13.0 (–42.5) m. The SEK 10 m remission of a SEK 20 m conditional loan from the Swedish industrial Development Fund was posted as financial income.

Operating costs were SEK 25.0 (47.9) m; research and development costs in 2003 were SEK 12.4 (13.8) m, with external researchers and subcontractors representing SEK 10.7 (11.4) m of this total.

Four-year Overview

SEK m	2003	2002	2001	2000
Operating income	0	0	0	0
Research and development costs	–12.4	–13.8	–34.6	–20.6
Operating profit/loss	–25.0	–47.9	–68.6	–56.5
Net profit/loss	–13.0	–42.5	–62.2	–51.6
Total assets	51.2	125.2	169.9	232.8
Equity ratio, %	94.7	82.0	85.5	89.0
Return on capital employed	neg	neg	neg	neg
Return on equity	neg	neg	neg	neg
Ave. no of employees	6	13	22	12

Business Risks

See Note 19.

Financial Risks

For more information, see Note 1.

Interest Risk

The company's exposure is in short-term investments.

Currency Risk

The company has modest currency risk inherent in its procurement from foreign countries.

Price Risk-Raw Materials

The company has minimal price risk exposure.

Investments

Net investments in equipment in 2003 were SEK 0.0 (0.1) m.

Financial Position

The company's liquid assets including short-term investments amounted to SEK 44.5 (121.6) m at 31 December 2003.

Tripep received remission on half its SEK 20 m loan from the Swedish Industrial Development Fund. Based on the negative outcome of clinical trial CTN002 on GPG®, Tripep applied for remission of the SEK 20 m loan raised in 2000 for development of the GPG® project. The loan agreement included a clause for the Swedish Industrial Development Fund to fully or partially waive the borrower's debt if the Fund considered that the results achieved in the project either could not, or could only partly, be utilised in the borrower's business operations.

Because the project regained its potential through the identification of alphaHGA, Tripep and the Swedish Industrial Development Fund jointly arrived at a solution whereby the Fund granted SEK 10 m remission, which thus became available to the company's business. Pursuant to the settlement, the Fund returned its options to acquire 75,000 Tripep shares, and accordingly, SEK 20 m in blocked funds and interest was released, whereupon SEK 10 m including accrued interest was repaid to the Fund, while the SEK 10 m remission was posted as financial income in the Income Statement.

The market value of short-term investments in fixed income and yield funds stood at SEK 42.6 (95.2) m as of 31 December 2003.

Shareholders' Equity

Shareholders' equity was SEK 48.5 (102.7) m as of 31 December 2003. The company has SEK 2,770,000 of share capital divided between 13,850,000 shares, each with a nominal value of SEK 0.20, of which the company owns 1,356,345 shares after the buy-back effected.

SIGNIFICANT EVENTS IN THE FINANCIAL YEAR

Research and Development

Research into the antiviral activity of GPG® and its metabolite (with previous working title MetaboliteX) resulted in the discovery of antiviral agent alphaHGA. A patent has been filed for this compound's structure, and a clinical synthesis method has been prepared. Development work is now being concentrated on preparing this compound for clinical trials in humans.

Corporate Acquisitions

In autumn 2003, Tripep incorporated the vaccine development enterprise VLP Biotech Inc. together with VRISD researchers. Tripep has invested USD 500,000 in this entity, and has a 30% ownership holding. The first vaccine under development is a universal vaccine against Influenza A. Current Influenza vaccines must be modified each year to counter those Influenza strains expected to be in worldwide circulation. This is a costly, time-consuming process that can result in the vaccines produced offering inadequate protection against the prevailing epidemic. Traditional Influenza vaccines target changeable virus surface structures. However, the Influenza virus has other surface proteins that are genetically stable, although they do not normally trigger any immune defence. With the carrier technology VLP Biotech Inc. disposes over, though, this is now possible. What are termed neutralising antibodies against M2 have been obtained after immunising mice with this technology. The vaccine is now being evaluated in an infectious animal model to evaluate its protection against Influenza infection.

As a result of alphaHGA's clinical development programme and the investment in VLP Biotech Inc., no new acquisitions are being planned at present.

The AIM

The company's Board is considering the benefits and consequences of parallel quotation on the London Stock Exchange AIM (Alternative Investment Market).

Such parallel quotation could be expected to further enhance Tripep's share liquidity, and the Board anticipates submitting such a proposal to the AGM.

According to a study by consulting practice Ernst & Young, biotechnology is expected to generate the most IPOs in 2004.

Share Buy-back

The AGM on 27 March resolved on a buy-back programme implying Tripep targeting an offering to shareholders to sell every tenth share for SEK 30. After final calculation, Tripep had acquired 1,356,345 shares, equivalent to acceptance of 97.9%. Accordingly, some SEK 40.7 m was transferred to shareholders.

The Swedish National Tax Board has issued general guidelines on dividing the acquisition cost of equities and sales rights as in Tripep's share buy-back. These general guidelines are designated RSV 2003:16, with supplementary information designated RSV M 2003:07. Information is available at the Board's Website, http://skatteverket.se.

Warrants

The AGM on 27 March resolved on an option plan (series D) implying Tripep issuing a maximum of 750,000 warrants. Pursuant to AGM resolution, 550,000 warrants were apportioned to staff and members of the company's Scientific Advisory Board.

Pursuant to the option terms and conditions, the Board resolved on a re-calculation of subscription prices for series A to C options as a result of the share buy-back, implying a SEK 2.70 reduction in the subscription price.

Thus 2,696,120 warrants are outstanding, equivalent to the same number of shares. More information on the options is provided in Notes 6 and 15.

On 19 December 2003, the Swedish Industrial Development Fund returned its options to acquire 75,000 Tripep shares pursuant to the settlement between Tripep and the Fund, whereby the Fund granted SEK 10 m of remission on its SEK 20 m conditional loan to Tripep. From this date until the option maturity date of 30 December 2003, these options were held by the company. More information is provided in Note 15.

Publications

The following scientific periodicals, published during the year, dealt with Tripep's research:

Frelin L, Alheim M, Chen A, Söderholm J, Rozell B, Barnfield C, Liljeström P, and Sällberg M, 2003. Low Dose and Gene Gun Immunisation with a Hepatitis C Virus Non-structural (NS) 3 DNA-based Vaccine Containing NS4A Inhibit NS3/4A-expressing Tumours in Vivo. Gene Therapy 10(8): 686-699.

Lazdina U, Alheim M, Nystrom J, Hultgren C, Borisova G, Sominskaya I, Pumpens P, Peterson DL, Milich DR, and Sällberg M 2003. The Priming of Cytotoxic T Cell Responses to Exogenous Hepatitis B Core Antigen (HBcAg) is B Cell Dependent. J Gen Virol 84: 139-146.

Andersson E, Horal P, Vahlne A, and Svennerholm B. 2003. No Cross-Resistance or Selection of HIV-1 Resistant Mutants in Vitro to the Antiretroviral Tripeptide Glycyl-prolyl-glycine-amide. Antiviral Res. 61(2): 119-24.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Tripep was granted a US patent for a new application of the antiviral substance ribavirin after the end of the financial year.

OUTLOOK

Tripep's previous budgeted costs for 2004 were SEK 22.8 m. The budget is being revised in the context of alphaHGA's clinical development process.

RESEARCH AND DEVELOPMENT

alphaHGA

Work proceeded on identifying GPG®'s antiviral metabolite (previous working title: MetaboliteX, or 'the unknown metabolite') during the year. During the autumn, these efforts bore fruit through the structure of MetaboliteX being identified as alphaHGA. Subsequent to the structure being identified, Tripep prepared a chemical synthesis method for producing the compound.

On 30 March 2004, Tripep (through Professor Anders Vahlne) has been invited to make an oral presentation of alphaHGA at the 5th International Antiviral Drug Discovery & Development Summit in Cherry Hill, New Jersey, US. This will be the first occasion that alphaHGA is presented to the scientific community and representatives of the pharmaceutical industry.

Work is now underway to bring alphaHGA to clinical trials in humans:

- The first trial in humans will be what is termed a microdosage trial to investigate alphaHGA's bioavailability (absorption, distribution and metabolism) after peroral administration. Assuming approval from the Ethical Committee, this trial, which has already been arranged, will be performed by UK companies Pharmaceutical Profiles Inc. and Xceleron Inc. in the first half-year 2004.
- Results from the above trials will offer guidance on the implementation of a safety and efficacy study on HIV-infected individuals. This latter trial is planned to start during the second half-year 2004.
- For the above clinical trials, alphaHGA will be supplied by Finnish custom synthesis provider Pharmatory Oy (100g in late February and 6kg in mid-May).

Other Projects

Vaccines and Vaccine Adjuvants

ChronVac-C®—Work to evaluate the optimal carrier system for Tripep's therapeutic hepatitis C vaccine ChronVac-C® continued during the year. Tripep assessed that this vaccine should undergo a phase I clinical evaluation before outlicensing. Because Tripep has now opted to prioritise the clinical development of alphaHGA, work on Chron Vac-C® has been deferred. Contract negotiations regarding the inlicensing of a carrier system continue.

CarryVac-HIV 1—Work on an HIV vaccine based on Tripep's previously patented amino acid sequences and licensed carrier technology from VRISD (the Vaccine Research Institute of San Diego) progressed during the year. Development work associated with further components of this vaccine continues.

Ribavirin—After the end of the period, Tripep was granted a US patent for a new application of the antiviral compound ribavirin, which can be used to reinforce the immunoresponse coincident with vaccination with various virus antigens. The patent claim covers all combinations of the virus antigen and ribavirin. Tripep's researchers are now preparing to publicise these findings in scientific journals and to seek licensees. Tripep is also examining the potential of combining the findings in this patent with Tripep vaccines and the vaccine under development in jointly owned enterprise VLP Biotech Inc. of the US.

RAS®, Redirecting Antibody Specificity

Staphylococcus Aureus—Research into Tripep's unique approach to antibiotic-resistant yellow staphylococci, which cause nosocomial infections, continues. RAS® molecules function as adapters that redirect existing antibodies in the blood so that they neutralise the nosocomial bacteria. A number of promising RAS® peptides that function as such adapters between existing antibodies and nosocomial bacteria had been previously identified. Gal-alfa1.3-Gal, identified as a new type of antibody-binding part of the RAS® molecule, was developed and a patent filed.

HIV—Research to produce RAS® molecules against HIV continued during the year, with a number of peptides that recognise HIV surface structures produced, which will be incorporated into new RAS® molecules.

Planned Trials

A first clinical trial in humans, termed a pre-phase I clinical microdosage trial on alphaHGA, is planned for spring 2004, to evaluate this compound's bioavailability. An efficacy (phase II) study, potentially beginning in autumn 2004, will be based on the pre-phase I trial.

Patents

The active patent portfolio encompasses 53 approved patents and 33 patents pending. On 20 January 2004, after the end of the financial year, Tripep was granted another patent in the US, relating to a new application for the antiviral compound ribavirin. Tripep's patent attorney is Knobbe Martens Olson & Bear of San Diego, US.

INSURANCE POLICIES

Tripep has insurance against consequential losses, professional indemnity cover, insurance against legal expenses, business travel insurance and insurance to cover CEO and Board liability. Otherwise, the company has occupational life assurance, accident insurance and health insurance policies.

ENVIRONMENTAL IMPACT

Tripep pursues good conservation of natural resources and raw materials, achieved through the regular evaluation and enhancement of working methods from an environmental standpoint. Tripep's environmental audit is pursuant to the Green Index model. Tripep possesses the necessary operational permits.

WORKING ENVIRONMENT

Tripep's working environment is regularly inspected, with the aim of creating a good working environment and avoiding accidents. No work-related illness occurred in 2003.

ORGANISATIONAL AND HUMAN RESOURCES

Board Actions

The Chief Executive Officer and Head of Research make presentations at Board meetings. The Board has adopted procedural rules and instructions for the division of responsibility between the Board and Chief Executive Officer. These procedural roles are based on the Swedish Companies Act's designation of overall responsibilities of the Board and Chief Executive Officer, and otherwise, on the Board's approved agenda with clearly delineated responsibility within the company, and on the policies approved by the Board.

The Board holds regular Board meetings pursuant to the agenda of its procedural roles, which include fixed-points for consideration. In 2003, the Board met on 11 occasions when minutes were taken, one being the Board meeting following election.

Quality Initiatives
Tripep's operations are regularly inspected pursuant to the regulatory structures that control operations, both internally and externally. The results of inspections form the basis of measures designed to enhance quality.

Nomination Committee
To enhance the prospects of a thorough selection process and to guarantee that quality and openness of nominations ahead of Board elections, a Nomination Committee has been established. The Committee members are Rolf L Nordström, Professor Bo Svennerholm and Associate Professor Peter Horal.

Remuneration Committee
Tripep has a Remuneration Committee, whose members are Chairman of the Board Rolf L Nordström and the Head of Research, Anders Vahlne. The Committee met on one occasion during the year.

Advisory Boards
Tripep's SAB (Scientific Advisory Board) provides research projects with advice, support and scientific criticism. The SAB held two scheduled meetings and maintained ongoing contact during the year. Apart from contributing on the SAB, two members have contracted collaborations with Tripep.

Because Tripep did not run any clinical phase trials, or have any such trials planned, in 2003, the CAB did not hold any formal meetings during the year.

Board of Directors and CEO
The Annual General Meeting of 27 March 2003 re-elected the current Board, which comprises company director Rolf L Nordström, Attorney-at-Law Erik Nerpin, Professor Anders Vahlne and Professor Matti Sällberg.

Rolf L Nordström was appointed Chairman of the Board at the Board meeting following election.

Human Resources
At the end of the period, the company had 10 (6) employees.

TRANSFER TO IFRS

EU ordinances stipulate that from 2005 onwards, listed companies must prepare their consolidated financial statements pursuant to IFRS (International Financial Reporting Standards), and comparative figures for 2004 should be accounted according to the same Standards. In all respects, Tripep's accounts for 2003 are consistent with current IFRSs, apart from the valuation of financial instruments (short-term investments), which IFRS stipulates should be valued at actual value. In the current Balance Sheet, financial instruments are valued at the lower of cost and net sales values. However, valuations according to both principles result in the same book value, and accordingly, this discrepancy does not affect Tripep's Annual Report for 2003.

PROPOSED APPROPRIATION OF PROFITS

The following funds are at the disposal of the Annual General Meeting:

Profit brought forward	56,233,946
Net loss for the year	–12,991,341
SEK	43,242,605

The Board of Directors and Chief Executive Officer propose that profits of SEK 43,242,605 are carried forward.

The Board of Directors proposes that no dividends are paid for the financial year 2003.

	Notes	2003 SEK m	2002 SEK m
Net sales		0	0
Other operating income		0	0
Total operating income		**0**	**0**
Operating costs			
Research and development costs		–1.7	–2.4
External research and development costs		–10.7	–11.4
Other external costs	5	–4.8	–8.1
Payroll costs	6	–6.9	–17.2*
Depreciation and write-down of tangible and intangible fixed assets	10, 11	–0.9	–7.2
Items affecting comparability	7	0.0	–1.6
Other operating costs		0.0	0.0
Total operating costs		**–25.0**	**–47.9**
Operating profit/loss		**–25.0**	**–47.9**
Profit/loss from financial investments			
Change in short-term investments		1.2	2.3
Interest income and similar profit/loss items	8	11.6	4.5
Interest costs and similar profit/loss items		–0.8	–1.4
Total profit/loss from financial investments**		**12.0**	**5.4**
Profit/loss after financial items		**–13.0**	**–42.5**
Tax on net profit/loss for the period	9	0	0
NET PROFIT/LOSS FOR THE PERIOD		**–13.0**	**–42.5**

* Includes staff termination costs of SEK 6.7 m.

** Includes un-realised exchange rate differences of SEK 0.0 (0.0) m.

Earnings per share before dilution, SEK	4	–1.00	–3.07
Earnings per share after full dilution, SEK	4	–1.00	–3.07
Dividend		-	-

	Notes	31 Dec. 2003 SEK m	31 Dec. 2002 SEK m
ASSETS			
Fixed assets			
Intangible fixed assets			
Patents	10	0.0	0.0
Total intangible fixed assets		**0.0**	**0.0**
Tangible fixed assets			
Equipment	11	1.3	2.2
Total tangible fixed assets		**1.3**	**2.2**
Financial fixed assets			
Shares in associated companies	12	3.9	-
Total financial fixed assets		**3.9**	**0.0**
Total fixed assets		**5.2**	**2.2**
Current assets			
Current receivables			
Other receivables		0.9	1.1
Pre-paid costs and accrued income	13	0.6	0.3
Total current receivables		**1.5**	**1.4**
Short-term investments	14, 19	42.6	95.2
Total short-term investments		**42.6**	**95.2**
Cash and bank balances	14, 19	1.9	26.4*
Total current assets		**46.0**	**123.0**
TOTAL ASSETS		**51.2**	**125.2**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital (13,850,000 shares with a nominal value of SEK 0.20)	15	2.8	2.8
Share premium reserve		2.5	2.4
Total restricted equity		**5.3**	**5.2**
Non-restricted equity			
Profit/loss carried forward		56.2	140.0
Net profit/loss for the period		–13.0	–42.5
Total non-restricted equity		**43.2**	**97.5**
Total shareholders' equity		**48.5**	**102.7**
Liabilities			
Long-term liabilities			
Interest-bearing loans	16, 19	0.0	20.0
Total long-term liabilities		**0.0**	**20.0**
Current liabilities			
Accounts payable		1.0	0.6
Other liabilities		0.5	0.3
Accrued costs and deferred income	17	1.2	1.6
Total current liabilities		**2.7**	**2.5**
Total liabilities		**2.7**	**22.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**51.2**	**125.2**
MEMORANDUM ITEMS	18		
Pledged assets			
Loan, Swedish Industrial Development Fund			
Blocked funds		0.0	20.2
Contingent liabilities		None	None

* Of which SEK 20 m plus interest is blocked funds.

Cash Flow Statement

	Notes	2003 SEK m	2002 SEK m
Cash flow from operating activities			
Net profit/loss for the period		–13.0	–42.5
Depreciation and write-downs		0.9	7.2
Capital gains/loss		-	0.4
Remission of loan	16	–10.0	-
Cash flow from operating activities before change in working capital		**–22.1**	**–34.9**
Cash flow from change in working capital			
Decrease/increase (–) in receivables		–0.1	2.4
Decrease (–)/increase in current liabilities		0.2	–2.2
Net cash flow used in operating activities		**–22.0**	**–34.7**
Cash flow from investment activities			
Incorporation of associated companies	12	–3.9	–
Acquisitions of tangible fixed assets	11	0.0	–0.1
Acquisitions of intangible fixed assets	10	0.0	–0.9
Net cash flow used in investment activities		**–3.9**	**–1.0**
Cash flow from financing activities			
Option premiums		0.1	0.0
Share buy-backs		–41.3	–
Amortization of debt	16	–10.0	–
Cash flow from financing activities		**–51.2**	**0.0**
Cash flow for the year		**–77.1**	**–35.7**
Liquid assets, opening balance		121.6	157.3
Liquid assets, closing balance	14	**44.5**	**121.6**
Supplementary Disclosures			
Interest paid in the year		0.7	0.8
Interest received in the year		0.7	0.6

Statement of Changes in Shareholders' Equity

	Share Capital SEK m	Share Premium Reserve* SEK m	Holdings of own Shares SEK m	Profit/Loss Brought/Carried Forward, SEK m	Net Profit/Loss SEK m	Total SEK m
1 January 2002						
Opening balance	2.8	204.6	-	0.0	–62.2	145.2
Reduction of share premium reserve		–140.0		140.0		0.0
Appropriation of profits pursuant to AGM resolution		–62.2			62.2	0.0
Net profit/loss for the period					–42.5	–42.5
31 December 2002	**2.8**	**2.4**	**-**	**140.0**	**–42.5**	**102.7**
Options issued		0.1				0.1
Buy-back of 1,356,345 shares			–41.3**			–41.3
Appropriation of profits pursuant to AGM resolution				–42.5	42.5	0.0
Net profit/loss for the period					–13.0	–13.0
31 December 2003	**2.8**	**2.5**	**–41.3**	**97.5**	**–13.0**	**48.5**

* The share premium reserve consists of the difference between the nominal amount and amounts deposited coincident with new issues. The reserve may be utilised to cover negative non-restricted equity or increases to share capital pursuant to AGM resolution.

** Of which transaction costs amount to SEK 0.6 m.

All amounts in SEK m unless otherwise stated.

NOTE 1 CORPORATE INFORMATION

The Annual Report of Tripep AB for 2003 has been approved for publication pursuant to a Board decision of 18 February 2004. The Annual Report will be submitted at the AGM, which will resolve on approval of the Balance Sheet and Income Statement for 2003.

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

- research and development of alphaHGA, 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,
- producing vaccines against Influenza, allergies and Alzheimer's disease through associated company VLP Biotech Inc.

Tripep AB, of Hälsovägen 7, 141 57 Huddinge, Sweden, has registered office in the Municipality of Huddinge, Stockholm, Sweden. The company is registered in Sweden.

Objectives and Principles for Managing Financial Risks
The company's financial instruments comprise short-term investments, cash and bank balances.

The company's policy neither has been in the past, nor is now, to conduct trading in financial instruments.

The biggest risk relating to the company's financial instruments is interest risk; the Board of Directors considers risks and evaluates how they are to be managed. A summary of the company's principles appears below. The company also monitors the risks inherent in those market prices quoted on all financial instruments.

Interest Risk
The company's exposure is in short-term investments.

Other Financial Risks
Currency Risk
The company has modest currency risk relating to procurement from foreign countries.

Price Risk—Raw Materials
The company's exposure to price risk is minimal.

NOTE 2 SUMMARY OF MAIN ACCOUNTING PRINCIPLES

The Annual Report has been prepared pursuant to the Swedish Annual Accounts Act and RR's (the Swedish Financial Accounting Standards Council) recommendations and statements. The same accounting principles as in the Annual Report for 2002 have been applied.
The accounted values are at cost unless otherwise stated below.

Adoption of New Accounting Principles
From 1 January 2003 onwards, the company observes the following new recommendations from RR, which influence the company as indicated:

RR 22 Presentation of Financial Statements
RR 26 Events after the Balance Sheet Date
RR 27 Financial Instruments: Disclosure and Presentation

These new recommendations have no effect on the company's applied valuation principles, but do imply additional disclosure requirements.

Adoption of New Accounting Principles from 1 January 2004 Onwards
Financial instruments
The Swedish Annual Accounts Act has been amended from 1 January 2004 onwards, implying that financial instruments may be valued at actual value. From 2004 onwards, Tripep intends to value short-term investments at actual value.

As of 31 December 2003, the actual value of short-term investments was SEK 42.6 m, equivalent to their value on the balance sheet date.

Employee Benefits
From 1 January 2004, the company will apply RR 29—Employee Benefits. Tripep's pension plans are fee-based, which means that all commitments are realised through the payment of pension premiums, which burden profit in the period to which the premiums relate, consistent with the principle previously applied. Accordingly, RR 29 will not have any effect on Tripep's Income Statement or Balance Sheet.

Investments in Associated Companies
An associated company is an entity in which the company exerts a significant influence, but which is neither a subsidiary nor a joint venture. In the Balance Sheet, investments in associated companies are accounted at cost with deductions for potential write-downs.

Conversion of Foreign Currencies
Foreign currency transactions are converted at the price applicable on the transaction date. In the balance sheet, monetary assets and liabilities denominated in foreign currency are converted at the exchange rate prevailing on the balance sheet date; all exchange rate differences are posted to the Income Statement.

Intangible Assets
Expenditure relating to research is accounted as costs as it arises. Expenditure for development attributable to individual projects is accounted as assets in the Balance Sheet when the project is in the clinical phase, and accordingly, there is reason to assume that the amount will be recovered in the future. Intangible patent assets will be depreciated over their assessed financial life-span. Depreciation begins when product development is complete.

Tangible Assets
Tangible assets are accounted at acquistion value less depreciation. Tangible assets are depreciated according to plan by 20%.

Consideration of the Need for Write-downs on Tangible and Intangible Assets
The accounted values of tangible and intangible assets are evaluated in the perspective of the need for write-downs when events or revised conditions indicate that potentially, their value will not be recovered. Any potential write-downs are accounted in the Income Statement.

Other Receivables
Receivables are accounted at cost less deductions for the assessed loss risk. An evaluation of doubtful debt is effected when it is no longer likely that the full amount will be recovered. Doubtful debt is written off in its entirety once a loss has been ascertained.

Liquid Assets
Liquid assets encompass short-term investments, cash and bank balances.

Short-term Investments
Investments are valued at cost when they are accounted in the Balance Sheet on the first occasion. The cost corresponds to the actual value of the remuneration paid including costs attributable to the acquisition.

After an investment is accounted for the first time valuation is pursuant to the lower of cost or market. Losses on investments held for capital investments are accounted as financial costs.

All regular acquisitions of financial assets are accounted in the Balance Sheet on their trading day, i.e. the day the company undertook to acquire the asset. All regular sales of financial assets are accounted at the settlement date, i.e. that day the asset was delivered to the counterparty. Regular acquisitions or sales means purchases or sales of financial assets that necessitate the delivery of assets within a time limit, usually designated by legislation or market convention.

Cash and Bank Balances
Cash and bank balances encompass balances within the postal giro system and banks.

Interest-bearing Loans
All loans are initially accounted at cost; interest costs are accounted as a financial cost in the period they apply.

Pensions and other Commitments on Benefits after Concluded Employment

Tripep's pension plans are defined contribution, which means that Tripep's pension commitments are satisfied through the payment of pension premiums. This burdens profit in the period the premium arises.

Employees' Equity-related Incentive Plans and Equity Management Entities

The company has four equity-related incentive plans, which are accounted pursuant to a method implying that none of the costs of these plans are accounted in the Income Statement. The dilution effect of outstanding options is reflected in the calculation of earnings per share after dilution. More information in Note 4.

Leasing

Leasing contracts, where essentially, all risks and benefits associated with ownership are transferred to the lessor, are classified as operational leasing contracts. Leasing charges for operational leasing contracts are accounted as a cost in the Income Statement and divided linearly over the term of the related agreement.

Interest

Interest income is accounted as it is earned (calculations are made on the basis of the returns on underlying assets subject to effective interest).

Income Tax

Income tax comprises partly current tax, i.e. the tax to be paid for the year pursuant to prevailing legislation, and deferred tax. Deferred tax is calculated on the basis of differences between the accounted and taxable values of assets and liabilities, i.e. the value that influences future taxation. Deferred tax receivables are only accounted when it is likely that they can be utilised in the future. Deferred tax liabilities are always accounted.

NOTE 3 SEGMENT INFORMATION

The company's business is to develop and commercialise CDs based on patented and patent-pending technologies. RR 25 – Segment Reporting is not applicable to Tripep.

NOTE 4 EARNINGS PER SHARE

Earnings per share before dilution are calculated by net profit/loss for the period divided by the weighted average number of outstanding shares in the year.

Earnings per share after dilution are calculated by net profit/loss for the period being divided by the weighted average number of outstanding shares in the year, adjusted for the effects of warrants with a dilution effect.

The following table illustrates the loss and number of shares utilised for the calculation of earnings per share before and after dilution.

	2003 SEK m	2002 SEK m
Net profit/loss for the period	–13.0	–42.5
Net profit/loss for the period	**–13.0**	**–42.5**

	2003 No.	2002 No.
Weighted average number of shares with rights to earnings per share before dilution	13,030,542	13,850,000
Dilution effects:		
Warrants	1,953,287	1,589,120
Adjusted weighted average number of shares with rights to earnings per share after dilution	14,983,829	15,439,120

No transactions in equities, or potential equities, occurred in the period from the balance sheet date until the preparation date for the Annual Report.

NOTE 5 ACCOUNTED AUDITORS' FEES

	2003	2002
Ernst & Young AB		
Auditing	0.2	0.4
Other assignments	0.4	0.3
	0.6	**0.7**

NOTE 6 HUMAN RESOURCES

	2003	2002
Average number of employees		
No. of employees	6	13
of which men	61%	57%
Salaries and other remuneration		
Board and CEO	2.6	3.5
Other employees	2.2	8.4
Total salaries and other remuneration	**4.8**	**11.9**
Social security costs	2.3	5.3
of which pension costs	0.8	1.4

Remuneration and other benefits to the Board and senior executives (SEK m)

	Salary	Board Fees	Pension Costs	Non-recurring Remuneration	Other Fees
Chairman of the Board		0.1			
Other Board members, employees	0.4			0.1	
Other Board members, non-employees		0.1			1.0
CEO	1.0		0.4	0.0	
Other senior executives*	1.4		0.2	0.0	
	2.8	**0.2**	**0.6**	**0.1**	**1.0**

* Two people, one of whom is a Board member.

Non-recurring remuneration comprises the funding of option subscription (see table above). There is no performance-related remuneration.

Fees to Board members are paid pursuant to AGM decisions.

Other fees relate to remuneration to legal practice Linklaters Advokatbyrå AB, where board member Erik Nerpin is a partner.

The company will not be liable for any pension provisioning for the CEO, who has independently decided to deposit a portion of salary as pension premiums via the company. Unchanged salary would be payable for 12 months coincident with termination initiated by the company.

Head of Research, Anders Vahlne, who is part of the management group, is also a Board member. The company has chosen to account remuneration to him above, and his options in the following table under the heading 'Other senior executives'. Professor Vahlne has chosen to deposit a portion of salary as pension premium via the company. Unchanged salary would be payable for 9 months coincident with termination initiated by the company.

Åsa Ekstrand, who is part of the management group, is accounted under the heading 'Other senior executives' above. Pension premiums of SEK 0.0 m have been deposited. Remuneration would be payable for 3 months coincident with termination initiated by the company.

The company's policy stipulates that the Remuneration Committee will resolve on remuneration to the CEO and senior executives.

Incentive Schemes

The company has an option plan partially targeted at selected senior executives and that includes non-transferable options. The options are inviolable.

The AGM on 27 March 2003 resolved on an option plan (series D) implying Tripep issuing a maximum of 750,000 warrants. Each warrant confers the

holder with the right to subscribe for one Tripep share in the period 7 October 2005 - 7 April 2006.

Pursuant to AGM decisions and after consultation with Ernst & Young Corporate Finance, the Board of Directors has determined the subscription price at SEK 20.20. Pursuant to AGM resolution, 550,000 warrants were apportioned to staff and members of the company's Scientific Advisory Board.

For more detail on Tripep's option plans, please refer to Note 15.

The Board and Other Senior Executives' Warrant Holdings as of 31 Dec. 2003	Series A No.	Series B No.	Series C No.	Series D No.
Chairman of the Board				
Other Board members, employees	1,120	5,000	1,600	200,000
Other Board members, non-employees				
CEO				60,000
Other senior executives (2 people)	210,000			15,000
Total	**211,120**	**5,000**	**1,600**	**275,000**

NOTE 7 ITEMS AFFECTING COMPARABILITY

	2003	2002
Liquidation costs*	0.0	1.6
Total items affecting comparability	**0.0**	**1.6**

* Costs for winding up two laboratories.

NOTE 8 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2003	2002
Interest income	0.7	0.6
Dividend	0.9	3.9
Loan remission	10.0	-
Total interest income and similar profit/loss items	**11.6**	**4.5**

NOTE 9 TAX

	2003	2002
Undisclosed deferred tax receivable divided as follows:		
Loss carry-forward	50.9	47.1
Write-down of short-term investments	0.1	0.5
Total undisclosed deferred tax receivable	**51.0**	**47.6**

Current tax loss carry-forwards can be utilised for an infinite period and for 2003 were SEK 181.9 m, for 2002 SEK 168.1 m. The write-down of short-term investments in 2003 was SEK 0.5 m, and for 2002, SEK 1.7 m.

For the fiscal years 1999-2003, the company has investigated as to whether ownership changes occurred that may affect its entitlement to use previous years' loss carry-forwards. Considering what has emerged in this context and prevailing uncertainty on how legislation should be interpreted, the company chose to report its observations to the Swedish Tax Agency in the autumn, while also stating its position that loss carry-forwards have not been influenced. The company is awaiting a response from the Swedish Tax Agency.

	2003	2002
Accounted profit/loss before tax	–13.0	–42.5
Tax at applicable tax rate (28%)	–3.6	–11.9
Fiscal effect of non-deductible items	0.1	0.3
Fiscal effect of non-taxable income	–0.3	–0.6
Fiscal effect of loss carry-forwards not accounted in the Balance Sheet	3.8	12.2
Tax on net profit/loss for the period, according to Income Statement	**0.0**	**0.0**

NOTE 10 PATENTS

	1 Jan. '03 31 Dec. '03	1 Jan. '02 31 Dec. '02
Acquisition value		
Acquisition value, opening balance	8.5	7.5
Capitalized expenses in the year	0.0	1.0
Acquisition value, closing balance	**8.5**	**8.5**
Accumulated write-downs		
Accumulated write-downs, opening balance	–8.5	–2.2
Write-downs in the period	0.0	–6.3
Accumulated write-downs, closing balance	**–8.5**	**–8.5**
Book value, closing balance	**0.0**	**0.0**

NOTE 11 EQUIPMENT

	1 Jan. '03 31 Dec. '03	1 Jan. '02 31 Dec. '02
Acquisition value		
Acquisition value, opening balance	4.4	4.9
Purchases in the year	0.0	0.1
Divestments	0.0	–0.6
Acquisition value, closing balance	**4.4**	**4.4**
Accumulated Depreciation		
Accumulated depreciation, opening balance	–2.2	–1.4
Reversed depreciation, divestments	0.0	0.1
Depreciation for the year	–0.9	–0.9
Accumulated depreciation, closing balance	**–3.1**	**–2.2**
Book value, closing balance	**1.3**	**2.2**

NOTE 12 SHARES IN ASSOCIATED COMPANIES

The company has a 30% holding in VLP Biotech Inc., which is developing universal vaccines against the Influenza A virus, vaccines against Alzheimer's disease and for the treatment of allergies.

Name	Reg. No.	Registered Office	No. of Shares	Book Value 2003	Book Value 2002	Percentage of Capital 2003	Percentage of Capital 2002	Percentage of Vote 2003	Percentage of Vote 2002
VLP Biotech Inc.	20-0425548	San Diego, USA	1,250,000	3.9	-	30%	-	30%	-

Incorporation of Associated Companies

On 17 October 2003, Tripep AB incorporated a new vaccine development enterprise in the US together with researchers at VRISD (the Vaccine Research Institute of San Diego). This enterprise, VLP Biotech Inc., is located in San Diego, California, US. Tripep's initial capital injection to this enterprise was USD 500,000, for which it secured 30% of the shares entitled to vote. Initially, VLP Biotech Inc. will focus on the development of a universal vaccine against the Influenza A virus, vaccines against Alzheimer's disease and vaccines to treat allergies.

NOTE 13 PRE-PAID COSTS AND ACCRUED INCOME

	31 Dec. '03	31 Dec. '02
Rents	0.2	0.2
Other	0.4	0.1
Total pre-paid costs and accrued income	**0.6**	**0.3**

NOTE 14 LIQUID ASSETS

Short-term Investments

Tripep invests in Handelsbanken's Fixed Income and Yield Funds, with in percentage terms, these investments divided 75:25 between the Fixed Income and Yield funds respectively. The Fixed Income Fund invests in Swedish fixed-income securities such as treasury bills and, to some extent, banking and corporate commercial paper and bonds with short durations. The maximum maturity on Handelsbanken's fixed-income fund is one year. The Fund has class 1 risk (lowest risk: 1, highest: 5).

The Yield Fund invests in Swedish fixed-income securities; its strategy is to retain a short remaining time to maturity when yields are expected to rise and the converse, to hold long-term bonds, when expecting declining yields. The duration on Handelsbanken's yield fund is a maximum of seven years, and an average of 3.5 years. This fund has class 2 risk (lowest risk: 1, highest: 5).

The company can sell fund units within 1-2 days and receive liquid assets.

	1 Jan. '03 31 Dec. '03	1 Jan. '02 31 Dec. '02
Acquisition value		
Acquisition value, opening balance	96.9	151.4
Investments in the year	48.6	28.6
Divestments in the year	–102.4	–83.1
Acquisition value, closing balance	**43.1**	**96.9**
Accumulated write-downs		
Accumulated write-downs, opening balance	–1.7	–3.9
Write-downs in the year	–0.6	–3.2
Reversals of previous write-downs in the year	1.8	5.4
Accumulated write-downs, closing balance	**–0.5**	**–1.7**
Book value, closing balance	**42.6**	**95.2**

Cash and bank balances

	31 Dec. '03	31 Dec. '02
Bank balances	1.9	26.4
	1.9	**26.4**

NOTE 14, cont.

The company earns interest on its bank balances at floating interest based on banks' daily deposit rates; short-term deposits are made for various periods of between one day and one month depending on the company's immediate need for liquid assets.

The actual value of liquid assets is SEK 44.5 (121.6) m.

The company's Cash Flow Statement accounts the closing balance of liquid assets at year-end 2003 and 2002 as:

	2003 SEK m	2002 SEK m
Short-term investments	42.6	95.2
Bank balances	1.9	26.4
Liquid assets	**44.5**	**121.6**

NOTE 15 SHARE CAPITAL

Registered share capital

	2003 000	2002 000
Shares, each with a nominal value of SEK 0.20	13,850	13,850
	13,850	**13,850**

Shares issued and paid up

	000	SEK m
1 January 2002 and 2003	13,850	2.8
31 December 2003	13,850	2.8
	13,850	**2.8**

Holdings of own shares

	000	SEK m
1 January 2002 and 2003	0	0.0
31 December 2003	1,356	0.3
	1,356	**0.3**

The AGM of 27 March resolved on a share buy-back scheme, whereupon Tripep directed an offering to the company's shareholders to sell every tenth share for SEK 30. After final calculations, Tripep had acquired 1,356,345 of its shares in this manner, equivalent to 97.9% acceptance.

Some SEK 40.7 m was transferred to shareholders; these shares can be utilised as payment for corporate and/or project acquisitions.

Dividends Paid and Proposed

Tripep's dividend policy stipulates that no dividends will be considered until the company becomes profitable.

No dividends were paid in 2003; the Board proposes that no dividends are paid for 2003.

NOTE 15, cont.

Total No. of Warrants

The company has four option plans:

	Total No.	Of which the Company Owns	Of which the Board, Senior Executives and Other Staff	Of which Other (incl. Former Employees)	Subscription Price,SEK	Exercise Price, SEK	Subscription Period
Series A	846,120	0	211,120	635,000	0.40 - 90.00	17.30	15 Aug 1999 - 14 Aug 2004
Series B	550,000	429,000	9,000	112,000	1.00 - 20.00	157.30	15 Aug 1999 - 14 Aug 2006
Series C	550,000	3,000	2,400	544,600	0.50 - 62.00	57.30	15 Aug 1999 - 14 Aug 2006
Series D	750,000	200,000	289,000	261,000	0.25	20.20	7 Oct 2005 - 7 Apr 2006
Total	**2,696,120**	**632,000**	**511,520**	**1,552,600**			

All the above plans are inviolable with each option conferring the right to subscribe for one share. The company does not consider it unlikely that all options will be redeemed.

The full exercise of all warrants would raise SEK 147,817,876 of shareholders' equity for the company, of which SEK 539,224 would be added to share capital, whereupon the total number of shares would be 16,546,120. Accordingly, if all warrants were exercised, they would correspond to an ownership holding of 16.3%.

The AGM of 27 March resolved on an option plan whereby Tripep would issue a maximum of 750,000 warrants. Each warrant confers the holder with the right to subscribe for one Tripep share in the period 7 October 2005 - 7 April 2006. Pursuant to AGM resolution and after consultation with Ernst & Young Corporate Finance, the Board determined the subscription price at SEK 20.20. Pursuant to AGM decision, 550,000 warrants were apportioned to staff and members of the company's Scientific Advisory Board.

The costs for preparing the option plan, SEK 0.3 m, were accounted in the Income Statement.

Pursuant to option terms and conditions, the Board has resolved on a recalculation of subscription prices for series A-C due to the share buy-back, implying a SEK 2.70 reduction of the subscription price. Of those warrants issued, 550,000 (429,000 of which are owned by the company) have an exercise price of SEK 157.30, 550,000 (3,000 in the company's ownership) have a subscription price of SEK 57.30, 846,120 have an exercise price of SEK 17.30.

On 19 December 2003, the Swedish Industrial Development Fund returned its options to acquire 75,000 Tripep shares pursuant to a settlement between Tripep and the Fund, whereupon the Fund granted SEK 10 m remission on its SEK 20 m conditional loan. These options were in the company's ownership from this date until the options' maturity on 30 December 2003.

Information on Board and Senior Executives' holdings is in Note 6.

NOTE 16 INTEREST-BEARING LOANS

		Matures		
31 Dec. 2003	**Liability**	**Within 1 Year**	**Between 1 and 5 Years**	**After More than 5 Years**
Loan with warrants	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**

		Matures		
31 Dec. 2003	**Liability**	**Within 1 Year**	**Between 1 and 5 Years**	**After More than 5 Years**
Loan with warrants	0.0	0.0	0.0	0.0
Other liabilities	20.0	0.0	20.0	0.0
Total	**20.0**	**0.0**	**20.0**	**0.0**

Tripep has received remission on half its SEK 20 m loan from the Swedish Industrial Development Fund. As previously announced, based on the negative results of clinical trial CTN002 on GPG®, Tripep applied for remission of the SEK 20 m loan the company agreed in 2000 for the development of the GPG® project.

The loan agreement includes a clause for the Swedish Industrial Development Fund to fully or partially waive the borrower's liability if the Fund considers that the results achieved in the project could not, or only partially, be utilised in the borrower's business operations.

As a consequence of the project regaining its potential by identifying alphaHGA, Tripep and the Swedish Industrial Development Fund arrived at a joint decision whereupon the Fund waives SEK 10 m, which thereby, becomes available to the company's operations. After reaching its settlement, the Fund returned its option to acquire 75,000 Tripep shares. Blocked funds of SEK 20 m plus interest were released, whereupon SEK 10 m including accrued interest was repaid to the Swedish Industrial Development Fund and the SEK 10 m remission was accounted as a financial income in the Income Statement.

NOTE 17 ACCRUED COSTS AND DEFERRED INCOME

	2003	2002
Holiday pay liability	0.2	0.1
Social security costs	0.1	0.1
Special employer's contribution	0.1	0.3
Other items	0.8	1.1
Total accrued costs and deferred income	**1.2**	**1.6**

NOTE 18 COMMITMENTS AND CONTINGENT LIABILITIES

Operational Leasing Contracts

Future minimum leasing fees payable pursuant to irrevocable operational leasing contracts (premises rent agreement) amounted to:

	2003	2002
Within 1 year	0.7	0.7
Between one and five years	1.6	2.2
After 5 years	0.0	0.0
	2.3	**2.9**

This agreement runs to 30 April 2007 inclusive. SEK 0.7 m rent was paid in the year.

NOTE 19 FINANCIAL INSTRUMENTS

Business Risks
The biggest business risks to which Tripep is exposed lie in its competitive market with the risk of new and better pharmaceuticals from competing companies, the risk of regulatory obstacles and the risk that alphaHGA does not reduce virus levels in humans with dosage levels that can be administered. The risk that the company's capital proves insufficient to develop alphaHGA to a commercial product must also be considered.

Actual Values
The following table compares the accounted and actual values of all the company's financial instruments accounted in the Balance Sheet at values other than market values.

	Balance Sheet Value		Actual Value	
	2003	2002	2003	2002
Financial assets				
Short-term investments	42.6	95.2	42.6	95.2
Cash and bank balances	1.9	26.4	1.9	26.4
	44.5	**121.6**	**44.5**	**121.6**
Financial liabilities				
Interest bearing loans:				
Loans with floating interest.				
(benchmark rate)	0.0	20.0	0.0	20.0
	0.0	**20.0**	**0.0**	**20.0**

Market values are the basis of actual values of short-term investments.

Interest Risk
The balance sheet values of those of the company's financial instruments exposed to interest risk at their maturity dates are stated in the following table:

2003 Floating interest	<1 yr. SEK m	1-5 yr. SEK m	>5 yr. SEK m	Total SEK m
Assets				
Short-term investments	42.6			42.6
Cash and bank balances	1.9			1.9
	44.5			**44.5**

2002 Floating interest	<1 yr. SEK m	1-5 yr. SEK m	>5 yr. SEK m	Total SEK m
Assets				
Short-term investments	95.2			95.2
Cash and bank balances	26.4			26.4
	121.6			**121.6**
Liabilities				
Loan from the Swedish Industrial Development Fund.		20.0		20.0

The interest rates applying to those financial instruments classified as floating interest loans are re-fixed biannually. The interest on financial instruments classified as fixed-interest loans does not change during the term of these instruments. The company's other financial instruments not included in the above table are fixed interest, and accordingly, are not exposed to interest risk.

NOTE 20 EVENTS AFTER THE BALANCE SHEET DATE

On 20 January 2004, a new US patent was granted to Tripep in the US for a new application of the antiviral compound ribavirin.

NOTE 21 DEFINITIONS OF KEY FIGURES

Return on capital employed
Pre-tax profit/loss plus financial costs in relation to average capital employed. Capital employed consists of the balance sheet total minus non-interest bearing liabilities.

Return on equity
Profit/loss for the year in relation to average shareholders' equity.

Equity ratio
Shareholders' equity at the end of the year in relation to the balance sheet total at the end of the year.

Net debt/equity ratio
Interest bearing liabilities at the end of the year minus liquid assets, in relation to shareholders' equity.

Proportion of risk-bearing capital
The total of shareholders' equity and deferred tax in relation to the balance sheet total.

Cash flow
The Cash Flow Statement has been prepared pursuant to RR's recommendation RR 7 on accounting cash flows.

Shareholders' equity per share
Shareholders' equity divided by the number of shares at the end of the year.

Earnings per share
Earnings per share before dilution is calculated as net profit/loss for the year divided by the weighted average number of outstanding shares in the year.

Earnings per share after full dilution
Earnings per share after dilution is calculated as net profit/loss for the year divided by the weighted average number of outstanding shares in the year, adjusted for the effect of warrants with a dilution effect.

Number of employees
The average number of employees in the year.

Huddinge, Sweden, 18 February 2004

Rolf L Nordström
Chairman

Erik Nerpin

Anders Vahlne

Matti Sällberg

Johan Ihre
Chief Executive Officer

Audit Report

To the Annual General Meeting of Tripep AB
Corporate identity no. 556541-1898

We have audited the annual accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of Tripep AB for the year 2003. These accounts and the administration of the company are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express an opinion on the annual account and the administration based on our audit.

We conduct our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the account. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Chief Executive Officer, and significant estimates made by the Board of Directors and the Chief Executive Officer, as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Chief Executive Officer. We also examined whether any Board member or the Chief Executive Officer has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Account Act, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Account Act and, thereby, give a true and fair view of the company's financial position and of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting that the Income Statement and the Balance Sheet be adopted, that the profit be dealt with in accordance with the proposal in the Directors' Report, and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Stockholm, Sweden, 23 February 2004

Ernst & Young AB

Anders Wiger
Authorised Public Accountant

Glossary

Administration
How a drug is introduced into the body, for example by injection or perorally, in tablet form.

AIDS
Acquired immunodeficiency syndrome.

alphaHGA
alpha–hydroxy-glycine-amide; alphaHGA is an entirely new type of compound for treating HIV/AIDS.

Amino acid
The building-blocks of proteins; there are 20 different amino acids in nature.

Antiviral agent
Agents that inhibit virus propagation.

B-amyloid protein
Substance deposited in the brain that causes disorders including Alzheimer's disease.

CAB
Clinical Advisory Board, an advisory body that assists on the design, evaluation and strategic planning of Tripep's clinical trials.

Capsid protein
Building-blocks of a virus capsid.

Carboxyl terminal
One end of a protein or peptide.

CarryVac
A vaccine development technology platform.

CD
Candidate drug.

ChronVac-C®
The project name of a therapeutic vaccine against chronic hepatitis C infection, commonly called jaundice.

CRO
Contract research organisation; consulting practice that assists in drug development.

CTN00X
Clinical Trial Number; a unique number assigned to every clinical trial.

Enzymes
Proteins that facilitate chemical reactions, such as breaking a specific type of chemical bond or metabolising a specific type of substance.

Formulation
Preparation of a pharmaceutical in a capsule, tablet or salve, for example.

GPG®
Glycyl-Prolyl-Glycine-amide. The molecule that metabolises to alphaHGA.

HCV
Hepatitis C virus; virus that causes what is commonly called jaundice.

HIV
Human immunodeficiency virus, which causes AIDS.

IgE molecules
Immunoglobin E is a protein produced by the body's immune system.

In vitro
Test-tube experiments, or experiments not conducted on animals or humans.

In vivo
In the living body.

MetaboliteX
'The unknown metabolite', the name of the substance alphaHGA before its molecular structure had been determined.

Monoclonal
From one clone (as opposed to polyclonal).

MRSA
Methicillin Resistant Staphylococcus Aureus. A bacterium that is resistant to all kinds of penicillin, and can cause nosocomial illness.

NNRTI
Non-nucleoside analogue reverse transcriptase inhibitors; RT inhibitors that directly inhibit enzymes.

NRTI
Nucleoside/nucleotide analogue reverse transcriptase inhibitors; RT inhibitors that provide enzymes with false building-blocks.

Nucleic acid
Constituent part (building-block) of genetic material.

Off label use
A drug prescribed for indications other than those approved by the regulating authority.

Passive immunotherapy
Transfer of antibodies to a patient, unlike active immunisation, in which the patient is injected with antigens (vaccination), which in turn elicits an antibody response.

Peptide
Short chain of amino acids.

Peptide synthesis
Combining amino acids in an ordered sequence, using a peptide synthesis machine, to create a predetermined peptide.

Peroral
Via the mouth.

PI
Proteinase inhibitors; a class of HIV suppressant medicines that inhibit HIV enzymes that cut/trim HIV proteins, protease inhibitors.

Placebo
Effect not due to the active component of a drug.

Platform technology
Technology that can be used to develop several pharmaceuticals.

Polyclonal
Several clones (as opposed to monoclonal).

Prodrug
An inactive compound that becomes active with the aid of an activator, such as an enzyme or a protein.

Proof of principle/concept
Proof that a technology can work.

Protease inhibitor
Inhibitor drug for HIV-1 that inhibits the HIV-specific protease enzyme.

Protein
Long chain of amino acids occurring in nature.

RAS®
Re-directing Antibody Specificity; a technology platform invented and patented by Tripep.

Reverse transcriptase
Enzyme that produces DNA using RNA as a template.

RNA
Perishable genetic material; used in the cell to make temporary copies of parts of the DNA in the chromosomes. HIV-1's genetic material is in the form of RNA.

RT inhibitor
Reverse transcriptase inhibitor. Inhibitor drug against HIV that transforms virus RNA into what is termed provirus DNA in a newly infected cell.

SAB
Scientific Advisory Board. An advisory body that provides Tripep's research projects with advice, support and scientific criticism.

SFV
Semliki Forest Virus. A virus used for transmitting genetic information.

Toxicity
Poisonousness, side-effects.

Therapy regime
Comprehensive treatment plan combining multiple drugs.

Tripeptide
Peptide comprising three amino acids.

Virology
The science of viruses.

Virus capsid
A virus particle's core structure or inner shell.

This Annual Report has been produced in two versions, one in Swedish and one in English. In the event of any discrepancies or inconsistencies between the two versions, the Swedish version shall prevail. Note: On page 8 table "The Market's Antiretroviral Medicines" has been extended in the English version. On page 12/13, the sentence "If the authorities do not accept a more basic complementary study, a four-week toxicology study on two animal species would be necessary before conducting a four-week trial in humans." has been misprinted in the Swedish version, and has been corrected in the English version.

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