



FINANCIAL HIGHLIGHTS

For the years ended December 31,

(in thousands, except per share data)

	2003	2002	2001
Results of Operations:			
Revenue	\$ 13,891	\$ 16,227	\$ 13,541
Gross profit	4,181	(2,267)	1,593
Research and development	6,874	11,650	19,913
Loss from operations	(7,237)	(19,474)	(27,668)
Net Loss applicable to			
common stockholders	(7,215)	(34,266)	(26,981)
Basic and diluted net loss per share	\$ (0.17)	\$ (0.88)	\$ (1.00)

Annual Revenue

<in thousands>



Basic and Diluted Net Loss Per Share



Gross Profit Margin



(a) 2002 includes a \$5 million reserve for excess inventory

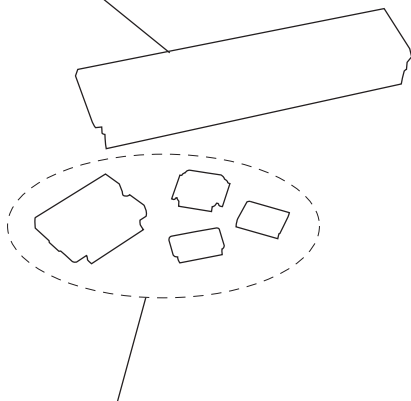
LEADING EDGE AMPLIFIER TECHNOLOGY

Amplifier technology is ubiquitous and is broadly applicable across multiple market segments in the digital media, consumer electronics and communications markets. With 49 patents issued and 35 patents pending, Tripath has utilized its intellectual property position to create the best combination of low distortion and high efficiency digital amplifiers available in the semiconductor industry today. Tripath's mission is to become the "technology of choice" for a broad range of products across multiple digital media market segments in consumer electronics and communications.

ABOUT US



Tripath's comparable TA 3020
BCDMOS Digital Amplifier Device
(150W/300W)



Tripath's new "Godzilla CMOS"
Digital Amplifier Devices
(50/150W)
(TPD2075/TPD2125/TDA2075/TDA2125)

Based in San Jose, California, Tripath Technology is a fabless semiconductor company that focuses on providing highly efficient power amplification to the digital media, consumer electronics and communications markets. Tripath has created a patented technology called Digital Power Processing (DPP®), which enables Tripath to provide significant performance, power efficiency, size and weight advantages over traditional amplifier technology.

Within the Consumer Electronics market, Tripath currently targets multiple market segments in the consumer audio applications area such as flat panel televisions including; Plasma ("PDP"), Liquid Crystal Display ("LCD") and Digital Light Processing ("DLP") systems and monitors, 5.1-7.1 channel home theater entertainment systems, personal computers, professional amplifiers and A/V receivers, mini/micro component stereo systems, cable set-top boxes, gaming systems and automotive applications such as in-dash head units and trunk amplifiers.

Tripath also sells digital amplifiers in the form of low power line drivers for use in DSL equipment for central office applications. In addition, Tripath has a research and development program aimed at developing highly efficient or low power amplifiers for digital wireless handsets and base stations to increase talk time and battery life.

Tripath's current customers include consumer electronic companies, such as Denon, Eizo, Hitachi, Motorola, Onkyo, Samsung, Sharp, Sony, TCL and Toshiba as well as DSL communications equipment provider, Alcatel, who uses Tripath's power efficient line drivers for central office applications.

LETTER TO OUR STOCKHOLDERS

Fiscal year 2003 marked a year of challenge and success. We expanded our customer base and secured additional design wins with our existing customers as well. We introduced new cost effective products, including the innovative, low-cost, and scaleable power driver architecture (aka "Godzilla"), using generic high-voltage Complementary Metal Oxide Semiconductor process technology, or "CMOS," and reduced our manufacturing and operating costs thereby reducing our operating loss. We believe that each of these accomplishments will better position Tripath to achieve profitability in the near term.

RESULTS

Here are some key results we achieved during 2003:

> We improved our financial performance:

> We increased our gross margin percentage from (14%) in 2002, to 30% in 2003, by reducing manufacturing costs, increasing sales of new higher margin products and by reducing sales of low margin products in China.

> We took steps to decrease our loss and cash usage and reduced our operating expenses by 34% year over year.

> Our net cash used in operations declined from \$3 million per quarter in 2002, to approximately \$1 million per quarter in 2003, and we ended fiscal year 2003 with \$9.6 million in cash compared to \$10.6 million at the end of 2002.

> Bottom-line, we narrowed the net loss per share from \$(0.88) per share in 2002 to \$(0.17) in 2003.

> In September 2003, we announced our "Godzilla" CMOS power driver architecture, which we expect will improve our gross margins and help us compete more effectively with traditional analog amplifiers. The initial Godzilla products were introduced in January 2004, with volume production expected to start during the third quarter of 2004.

> We expanded our customer base from 66 to 108 customers.

> We also increased the design win base from 46 to 81 including the following key design wins:

Flat Panel TVs (Plasma, LCD and DLP)

Samsung's 15", 17", 32", 40" LCD TVs, 42", 50", 63" PDP TVs, 50", 61" DLP TVs

JVC's 26" LCD TV (LT-26LC4)

Sanyo's 42" PDP TV (Vizon brand) (PDP-42V2/EX)

Hitachi's 32", 37", 42", 50" PDP TVs, 28", 32" LCD TVs (L5000)

Automotive

Panasonic's CQ-C9800U and CQ-C9700U 4 channel x 70/60 Watt in-dash CD Player/Receiver and CQ-VD7700U in-dash LCD TV/DVD/SD receiver with 5.1 channel Dolby Digital/DTS and Dolby Pro Logic II

5.1-7.1 Channel Home Entertainment Systems

Sanyo's DC-PS1000WL (50/80 Watts)

Denon's DSW-7L sub-woofer (200 Watts)

Receivers and Mini/Micro Component Systems

Audio Research's 150M Modular Multi-channel power amplifier

Bel Canto's Evo6 4 channel x 200 Watts or 6 channel x 120 Watts

Denon's AVR-770SD (600 Watts)

Marantz's DA04 4 channel x 100 Watt professional amplifier

Computers

Samsung's CK32 and CK 40 monitors

DSL Line Drivers

Alcatel 24 Channel line card for central office DSLAM equipment

These design wins highlight significant progress made in the Flat Panel TV, Automotive, 5.1-7.1 Channel Home Entertainment Systems, Receivers and Mini/Micro Component Systems, Computers and DSL market segments.

Tripath continues to pave the road with leading edge technology in the digital audio market and introduced the following new cost effective products over the past fiscal year:

- In January 2003, at the Consumer Electronics Show, we announced the TCD6000 6-channel digital input Class-T[®] controller. Its 6-channel digital input and I²C volume control makes it ideally suitable for today's powered DVD home theater systems, multi-channel AV receivers, automotive audio electronics and other multi-channel audio systems.
- In June 2003, we announced the TPS1035, a low-cost digital amplifier. This product coupled with Tripath's TC2001 digital amplifier controller, enables consumer manufacturers to develop very low cost audiophile quality amplifiers for entry level markets. While amplifier boards in the 20-50 Watt range currently cost approximately \$12-\$15 in high volume, a TPS1035 based amplifier board will cost approximately \$10.

- In September 2003, we announced the new low-cost Godzilla architecture and at the Consumer Electronics Show in January 2004, we introduced four CMOS digital amplifier devices based on the new architecture. These four products can deliver between 50 Watts and 200 Watts of power per channel, achieve 90% efficiency and are initially being targeted at the home entertainment and professional audio markets. The initial feedback from our customers has been very positive. These products are being sampled and are scheduled to go into volume production during the third quarter of 2004. We believe this breakthrough architecture will reduce our manufacturing costs, improve our margins and help us compete more effectively with traditional analog amplifiers.
- In January 2004, at the Consumer Electronics Show, we announced the TAA4100, the world's first 4 channel x 100 Watt chip in a single package, as a follow-on product to our TA2041, the world's first 4 channel x 70 Watt chip in a single package. These two automotive products enable car audio manufacturers to develop the industry's most powerful car audio units, which would not be possible to achieve with conventional analog amplifiers. The new 4 channel x 100 Watt part (TAA4100) is currently being sampled to a select customer base for both after market and OEMs and has been enthusiastically received. Volume production is scheduled for Q4, 2004.

FOCUS

We believe that the total available market today for amplifiers is approximately \$3 billion per year with approximately 2-3%, or about \$80 to \$100 million, of this market having converted from analog to switching or digital amplifiers at this time.

We believe that Tripath is well positioned in this marketplace with its high performance, high power efficiency, small size products and with the introduction of the new low cost Godzilla based CMOS power driver architecture.

Tripath also has the broadest range of digital amplifier products in the market today ranging from 10 Watts up to 2000 Watts and has a strong defensible patent position with 49 patents issued and 35 patents pending. Tripath has gained market acceptance from most of the leading names in the consumer electronics market and is recognized as the performance leader in the market.

More specifically, in the consumer audio market, we continue to offer leading edge digital products for a variety of consumer audio applications. While Tripath is recognized as the leader in terms of low distortion and high fidelity or sound quality, as well as a provider of high efficiency solutions, customers are ultimately concerned about cost. Our on-going goal is to accelerate our market penetration by offering the most attractive price/performance products in the market. With the introduction of the new low-cost Godzilla architecture based products we believe we will be more competitively priced with existing analog amplifiers without compromising the audio performance that our customers have come to expect from Tripath's Class-T® digital amplifiers.

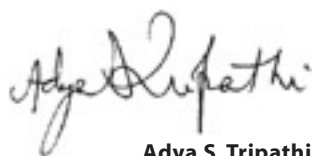
Our sales and marketing focus this year will be to pursue high volume business in three primary market segments, flat panel TV, home theater entertainment systems and automotive. In the flat panel TV market overall sales volumes are expected to reach 10 million LCD and Plasma units in 2004, up from 3 million units in 2003, to over 40 million units per year in 2008. We have previously announced design wins with Samsung, Fujitsu, Sharp, Hitachi, JVC, Sanyo, Sony, TCL and Toshiba and believe that we are well positioned in this market.

In the 5.1-7.1 channel home theater entertainment system market, with the introduction of the new low-cost Godzilla architecture based products, we believe we will be more competitively priced with existing analog amplifiers.

In the automotive segment, we continue to make progress in this challenging and large market and remain optimistic about additional design wins in both the car audio after market as well as with some major OEMs. We feel that our new products, such as our TAA4100- the world's first 4 channel X 70 Watt digital amplifier, our TAA4100- the world's first 4 channel x 100 Watt digital amplifier and our TCD6000 – our new 6-channel single package digital amplifier controller, will have a tremendous impact on next generation products from consumer electronic OEMs.

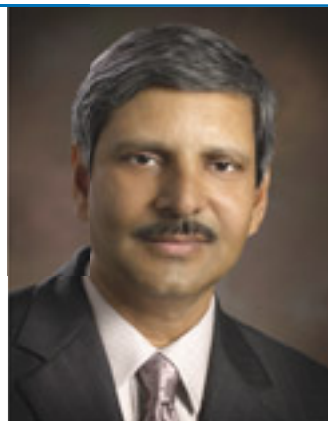
In DSL, we continue to develop lower power and multi-port line drivers to provide the industry with increased line card densities for central office equipment. The development of our two-channel DSL line driver is progressing and our customers are now evaluating samples.

In the wireless marketplace, we are focusing our efforts on demonstrating that our technology can improve the efficiency in base stations and wireless handsets.



Adya S. Tripathi

President and Chief Executive Officer
Chairman of the Board



SUMMARY

In fiscal year 2003, we believe that we made progress towards our growth goals and took the necessary steps to position the Company for further growth in 2004 and beyond. I would also like to mention several additional key highlights for 2003:

- Tripath transferred back to the NASDAQ National Market in October 2003.
- Tripath was pleased when the NASDAQ National Market informed us that, during 2003, our stock was the #2 overall performing stock, and #1 performing Silicon Valley stock, with a stock price over \$5 in terms of percentage increase in stock price (+2396%), although this may not be predictive of future results.
- Tripath was also selected by Deloitte & Touche as one of the fastest growing technology companies in Silicon Valley (Fast 50 Award).

While the market conditions have improved thus far in early 2004, we continue to make progress in securing design wins, developing and introducing new products, reducing our manufacturing costs and in managing our working capital.

In 2004, we remain focused on securing new design wins in the consumer electronics, automotive as well as the communication markets and are continuing to develop innovative low-cost products for the markets we currently serve. With our current and expected future products, including the new low cost Godzilla architecture, coupled with our strong intellectual property portfolio, we believe that Tripath is well positioned to take advantage of this large market opportunity and be a major participant in the digital amplifier market.

I would like to thank our employees, customers, partners and stockholders for their ongoing support, and look forward to a bright future together in 2004 and beyond.

CONSUMER ELECTRONICS

With the advent of Dolby Digital®, DTS®, THX® and SRS® Surround Sound, and the increase in digital media, consumer electronics companies have found the need for an amplifier technology that provides significant performance, power efficiency, size and weight advantages over the traditional analog amplifier technology. The increasing demand for a higher standard in the audio market has propelled Tripath's patented Digital Power Processing (DPP®) technology to emerge as the technology of choice in the digital audio amplifier space. Tripath's Class-T® 1-bit digital audio amplifiers are widely demanded in the following markets: the flat panel television, the 5.1-7.1 channel home entertainment systems, automotive in-dash head unit and truck amplifiers, receivers and mini/micro component system, gaming consoles, personal computers and set top boxes.

With increasing demand for thinner and sleeker televisions, Tripath offers the technology of choice for the flat panel television display markets. By eliminating bulky heat sinks and reducing the size of power supplies, Tripath's power saving Class-T® digital amplifiers are the ideal solution to power flat panel TV audio designs. According to a number of industry forecasts, over 10 million LCD and plasma TV units are forecasted to be sold in 2004 and that number is expected to increase to over 40 million units per year in 2008. With industry leaders such as Fujitsu, Hitachi, JVC, Sharp, Sanyo, Samsung, Sony, TCL, Toshiba and some smaller companies in Taiwan, all integrating our amplifier chips into their next-generation plasma and LCD TV designs, we believe Tripath is well positioned to benefit from the growth of the flat panel TV markets. Approximately 33% of our revenues in 2003 were attributable to this market segment.

The home entertainment system market presents another huge opportunity for Tripath. According to a recent market research report by InStat/MDR, in 2002, over 50 million DVD players were sold worldwide and that number is expected to increase to 84 million DVD players and 32 million DVD recorders in 2006. More and more households are finding that a DVD player is necessary to complete their home entertainment systems. In addition, gaming consoles such as Sony's Playstation 2® and Microsoft's XBox® are now capable of playing DVD movies with 5.1-7.1 channel home entertainment systems or surround sound systems in addition to their DVD-based games. With the introduction of our new, low-cost, CMOS "Godzilla" architecture during the third quarter of 2004, Tripath believes its products will be more competitively priced in this market with existing analog amplifiers without compromising the audio performance that Tripath's customers have come to expect from Tripath's Class-T® digital amplifiers.

The automotive market has adopted Tripath's Class-T® 1-bit digital audio amplifiers to enhance the automotive sound experience. Traditionally, head units were severely limited in power due to heat dissipation concerns. Trunk amplifiers, while providing higher power

were experiencing similar heat problems and had to be encased in bulky metal packages. Class-T® technology addressed the space concerns in both these environments. In September 2002, Tripath announced the development and shipment of the world's first 4 x 70 watt digital audio amplifier for the automotive industry to Sony. Sony is the first company to adopt Tripath's revolutionary breakthrough technology by introducing its latest MEX-5DI car audit head unit system with an integrated Class-T® TA2041 digital audio amplifier. In January 2004, Tripath announced several in-dash design wins with Panasonic and also announced our second digital amplifier product targeted at the automotive market, the TAA4100, the world's first 4 channel x 100 Watt digital amplifier chip in a single package. We revolutionized the market when we enabled Sony to invent the first Dream System all-in-one DVD receiver and Tripath believes it will achieve this again by allowing Panasonic to bring the first 4 channel x 70 Watt automotive head unit to market. Tripath is optimistic about future design wins with additional OEM customers and believe that this market segment is another opportunity for Tripath.

The gaming market has been another growth area for Tripath. Tripath's digital amplifier products are used in game arcade systems ("Pachinko") in Japan. This segment represented approximately 25% of Tripath's total revenues in 2003. The pachinko game market in Japan is currently a 5-6 million annual unit opportunity for Tripath.

Personal computers (PCs) are evolving into a form of home entertainment system as well. More and more PCs are being manufactured and integrated with DVD/CD players, and downloadable music and gaming software have become extremely popular. We believe PC users are demanding high quality audio from their PCs, but are constantly disappointed in the sound quality produced from today's powered PC speakers. Tripath believes that this market offers a significant opportunity to Tripath as well.

Set-top boxes are also increasing functionality by combining DVD players and audio amplifiers into a new class of set-top boxes called convergence boxes. Tripath is currently providing amplifiers to Motorola for their award winning DCP501 Digital Convergence System. Major cable companies have chosen to deploy Motorola's Digital Convergence Platform, a new line of consumer electronic products to their cable subscribers. The DCP501 integrates a DVD/CD player, an interactive digital cable receiver and audio/video receiver with 5.1 channel Dolby® Digital Sound into a single system.

Tripath amplifiers have penetrated the digital media and consumer electronics markets and will continue to provide cutting-edge amplifier technology. Tripath expects to expand its product offering and focus on providing significant performance, power efficiency, size and weight advantages over the current amplifier technology available in the market today.



Denon's Home Theater System (*DHT-1000DV-S, DVD/CD*)



Hitachi's 42" Plasma Television (*HDTT55M*)



Onkyo's 5 Disc DVD Receiver
(*DRC 500*)



Audio Research's Modular
Multi-Channel Power Amplifier
(*150M*)



Panasonic's Car Audio Head Unit
(*CQ-9700W, CD/MP3*)

DSL NETWORKS

Asymmetric Digital Subscriber Line (ADSL) or DSL is one of the dominant broadband Internet access technologies worldwide. With data rates to the subscriber of up to 8M bits per second, DSL represents a connection more than 150 times faster than the 56kb per second dial up modem. This form of high-speed Internet access is servicing both small businesses and homes not only in the United States, but also around the world.

Tripath's family of line drivers have won worldwide recognition in the industry as the lowest power line driver available today as well as low distortion and high through-put in a very small package.

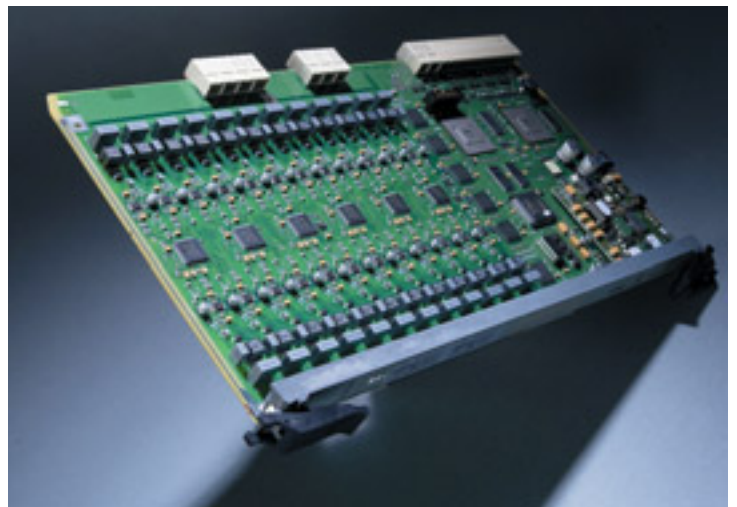
Our DSL business continues to look positive. During 2003, sales in this segment accounted for approximately 9% of our total revenues, with Alcatel Bell representing our largest customer in this segment.

Tripath is also sampling our new dual-channel line driver, TLD4021 with final silicon expected in the third quarter and volume production during the first part of 2005. In addition to reducing size and cost by integrating two drivers on one chip, it will also extend Tripath's power advantage by reducing the power dissipated per port by more than 30 percent.

Tripath will continue to focus on power reduction and increased integration to reduce the size of DSL products. Continued reductions in power and size are necessary to provide our customers the ability to lower costs and increase the speed of DSL deployment.

Tripath's successful application of its technology to DSL has allowed Tripath to diversify its customer base and has propelled Tripath into the communication business. The goal of fundamentally changing the way electronic signals are amplified has been effectively accomplished in audio and DSL.

Tripath will build on its success in these areas and look to other growth opportunities in the communications arena where Tripath can contribute to better performance lower power.



Alcatel's 24 channel line card
(DSLAM Central Office Equipment)

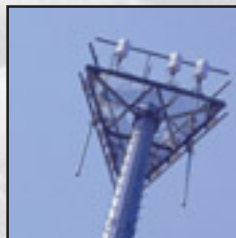
WIRELESS COMMUNICATIONS

Mobile communication through cell phones, PDAs and other wireless equipment has become a necessary technology in the daily lives of many individuals across the world. Personal voice communication networks have broadened into internet-based distribution platforms making wireless communication even more valuable to end-users. One of the key enablers in the wireless market is the Radio Frequency (RF) power amplifier, particularly for base stations and wireless handsets.

In the base station market, Tripath's Digital Power Processing Technology (DPP®) can provide the high efficiency necessary to power a base station, while reducing the amount of power required.

On the handset side, Tripath's Digital Power Processing (DPP®) provides excellent linearity with power efficiencies that could potentially double or triple battery life.

Tripath understands the importance of amplifier technology in the wireless communications market and will continue to research how Digital Power Processing (DPP®) can be applied to create power efficiency. Though Tripath currently does not have products for RF applications, Tripath is focused on meeting this need by developing RF amplifiers for cellular applications with significantly lower power consumption.



TRIPATH TECHNOLOGY

DIGITAL AMPLIFIER SOLUTIONS

Tripath's Digital Power Processing (DPP®) amplifier technology has emerged as a leading technology company in the digital media, consumer electronics and communications markets. Within the consumer electronics markets, Tripath will continue to target the consumer, automotive and professional audio market segments. Within each of these market segments, we provide digital amplifiers to manufacturers in a diverse set of applications including: flat panel televisions, 5.1-7.1 channel home entertainment systems, automotive in-dash head units and trunk amplifiers, gaming consoles, personal computers, professional amplifiers, mini/micro component stereo systems and cable set-top boxes. Within the DSL market, we are currently supplying line drivers for use in communication equipment for the central office. In 2004, Tripath plans to continue to explore various markets that can utilize our amplifier technology and will focus on research and development that will contribute to future growth.



Samsung's 17" LCD TV (LTN1735)



Sony's Car Audio Head Unit (MEX-5DI)



Bel Canto's High Performance Audiophile
Quality Power Amplifier (Evo2)



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