



PYROSEQUENCING AB

Interim report January - September 2003

Uppsala, Sweden, October 23, 2003. Pyrosequencing AB (Stockholm: PYRO A) today reported results for the first nine months 2003.

Highlights (Figures in brackets refer to the same period 2002)

- Sales during the period amounted to 68.6 MSEK (63.4 MSEK)
- Operating result excluding non-recurring items for the period was -116.7 MSEK (-117.4 MSEK)
- Result after tax was -189.6 MSEK (-120.6 MSEK) for the period
- Earnings per share amounted to - 5.44 SEK (-3.47 SEK) for the period
- The acquisition of Personal Chemistry was approved by an extraordinary general meeting, the integration is progressing according to plan
- Sale of an exclusive license for whole genome sequencing to 454 Life Sciences for a minimum of 36.6 MSEK
- Agreement regarding acquisition of Biotage for approximately 230 MSEK

Amounts in KSEK	Pyrosequencing Third quarter 03	Pyrosequencing Third quarter 02	Pyrosequencing Jan - Sept 03	Pyrosequencing Jan - Sept 02
Net sales	27 418	27 095	68 573	63 396
Operating res. excl. non-recurring items and goodwill amortization	-34 042	-37 945	-116 738	-117 363
Operating result	-121 708	-37 945	-205 110	-117 363
Net result	-116 914	-38 079	-189 568	-120 581

During the third quarter, Pyrosequencing acquired Personal Chemistry. After the period end, the Company announced the acquisition of Biotage. With these two acquisitions, Pyrosequencing has laid the foundation for becoming a world-leading supplier of systems for medicinal chemistry. In addition, the Company aims to strengthen the Genomics product area through acquisitions and hence reach critical mass also in this area.

In the Genomics product area the market for SNP analysis remains cautious. However, the market for sequencing of short DNA strands continues to grow and Pyrosequencing believes that this market will have a great potential in the coming years. Above all the third quarter has seen a growth in molecular microbiology, where research related to biologic warfare has received increased funding.

In the third quarter the Company signed an agreement with 454 Life Sciences, a subsidiary of CuraGen Corporation, to license Pyrosequencing technology for whole genome sequencing. Together with the data published by 454 Life Sciences, this deal has attracted much attention. Prominent scientists have described the data as a breakthrough in whole genome sequencing.

Within Medicinal Chemistry Pyrosequencing has seen an increased order intake during the third quarter and the Company believes that this area will see renewed growth after a slight weakening during the first six months of 2003.

Group financial position, excluding Personal Chemistry

Income statement items

During the first nine months of 2003 the group's net sales increased by 8 percent to 68.6 MSEK, compared to 63.4 MSEK for the corresponding period last year. Revenue from the new Corbett

product line amounted to 11.7 MSEK and contractual distributed remuneration from 454 Life Sciences was 1.9 MSEK. Excluding currency effects net sales would have amounted to 78.9 MSEK, an increase of 24 percent compared to the corresponding period last year.

During the first nine months sales amounted to 44.5 MSEK in the US, 18.1 MSEK in Europe and 6 MSEK in the rest of the world.

In the third quarter of 2003, the group's net sales increased by 1 percent to 27.4 MSEK, compared to 27.1 MSEK for the corresponding period last year. The revenue from Corbett amounted to 8.8 MSEK and contractual distributed remuneration from 454 Life Sciences was 1.9 MSEK. Excluding currency effects net sales would have amounted to 31.6 MSEK, an increase of 17 percent compared to the same period last year.

The gross margin for the first nine months amounted to 59.0 percent, a decrease compared with the 69.1 percent reported for the corresponding period last year. The gross margin was negatively affected by price and product mix changes, by the sales of Corbett products with distributor margin, and by the weakening of the US dollar in comparison to the Swedish krona.

Operating expenses, excluding the net effect of capitalized development costs and non-recurring items amounted to 145.9 MSEK in the first nine months of 2003, a decrease of 33 percent. Of this sum, 45.9 MSEK reflects third quarter figures, compared to 63.0 MSEK for same period last year.

As a result of the cost-savings program initiated in 2002, costs have decreased in all areas of operations during the period. The weakening of the US dollar compared to the Swedish krona had a positive effect on the conversion of costs of the US subsidiary.

In 2002 a new accounting principle was adopted, involving the capitalization of development costs. During the period ending September 2003, the Company capitalized development costs amounting to 2.9 MSEK compared to 59.7 MSEK last year. The amortization of capitalized development costs was 14.1 MSEK in 2003, compared to 3.5 MSEK last year.

Pyrosequencing's income statement contains non-recurring items amounting to a total of 88.4 MSEK. These refer to restructuring costs of 46.0 MSEK, 26.6 MSEK of which pertain to the acquisition of Personal Chemistry, 18.1 MSEK to the cost-savings program initiated in August, and 1.3 MSEK to other restructuring costs. The Company has previously calculated the restructuring costs for the August program at 20 MSEK. The actual figure was 18.1 MSEK. The restructuring costs in connection with the acquisition of Personal Chemistry were calculated as being between 40 and 45 MSEK. The actual figure was 39.6 MSEK, 26.6 MSEK of which emanates from Pyrosequencing and 1.6 MSEK from Personal Chemistry. 11.4 MSEK are group allocations. Other non-recurring items refer to the write-down of fixed assets totaling 42.4 MSEK. This sum comprises write-downs of capitalized development costs amounting to 26.2 MSEK, write-downs of patent and license rights amounting to 14.4 MSEK, and tangible fixed assets amounting to 1.8 MSEK.

Pyrosequencing reported a net loss of 189.6 MSEK, or 5.44 SEK per share, for the first nine months of 2003, compared to a net loss of 120.6 MSEK or 3.47 SEK per share for the same period last year.

Balance sheet items

In the third quarter Pyrosequencing announced its intention to acquire Personal Chemistry. The purchase was finalized on September 30. The acquisition of Personal Chemistry has been consolidated in the balance carried forward. Through the acquisition the total share capital has

increased by a directed non-cash issue to the previous shareholders of Personal Chemistry. The acquisition has generated goodwill amounting to 235 MSEK.

At September 30, 2003 cash, cash equivalents and investments in high-grade debt securities, including investments with maturity dates exceeding 12 months, totaled 361.5 MSEK, compared to 471.7 MSEK at December 31, 2002. During the nine months period Pyrosequencing has acquired an ownership share of Bio-Molecular Holdings, the holding company of Corbett Research and Corbett Robotics, at a total cost of 45.8 MSEK.

Pro-forma reporting

A pro-forma report has been prepared for illustrative purposes. The pro-forma accounting covers Pyrosequencing's and Personal Chemistry's income statements for the first nine months of 2003. The pro forma income statement has been prepared as if the acquisition was completed as of January 1, 2003. In the pro-forma accounting the goodwill generated by the acquisition has been amortized over 10 years. Recommendation RR15 of the Swedish Financial Accounting Standards Council regarding development costs has not been applied in Personal Chemistry's accounting of the period.

Genomics product area

In the third quarter the Genomics product area had sales of 27.4 MSEK and a gross margin of 59 percent. The molecular microbiology market is becoming increasingly important to Pyrosequencing. In the third quarter the majority part of US sales related to research in bio-defense and the sequencing of short DNA strands. The Company believes that there is a significant potential in research related to bio-defense with the market estimated to be worth 2-3 billion USD. The sales growth in the US is also due to the positive start for the Corbett products, which continued in the third quarter.

In Europe the focus on molecular microbiology is also becoming increasingly important, as the high quality data provided by Pyrosequencing's systems are well suited to meet customers' specific needs. The growing problem with resistant bacteria has for example led to a demand for faster and more effective resistance determinations. The marketing campaigns in molecular microbiology conducted by the Company during the second and third quarters have delivered positive results. Pyrosequencing's total product portfolio has been very successful.

In the third quarter, Pyrosequencing sold an exclusive license for whole genome sequencing to 454 Life Sciences, a subsidiary of CuraGen Corporation.

The Asian market has still not recovered from the SARS epidemic, which affected business opportunities for several months.

In the fourth quarter, Pyrosequencing will conduct a marketing campaign for its Genomics products targeting the oncology (cancer) area, where quantitative DNA analysis is an important part of clinical research.

The acquisition of Personal Chemistry

On August 7 2003, Pyrosequencing announced a deal to acquire Personal Chemistry. At Pyrosequencing's extraordinary general meeting on September 25, 2003 the proposed issue of new shares, the changes in the Company's articles of association, and the acquisition were approved. The general meeting elected a new board of directors.

Human resources

At September 30, 2003, the total number of employees in the Pyrosequencing group was 178. This figure includes employees from Personal Chemistry. The Company has announced further

reductions and will have 150 employees when these are completed. After the merger with Biotage the new corporate group will have approx. 275 employees.

Parent company

The group's parent company, Pyrosequencing AB (organization number 556539-3138) has wholly-owned subsidiaries in the United States, United Kingdom, France and Germany, and Personal Chemistry in Uppsala AB. The parent company conducts strategic business development, central marketing, research and development, manufacturing and administrative functions for the group. For the period January – September, 2003 the parent company reported sales of 59.7 MSEK (62.2 MSEK in 2002) and the result before appropriations and taxes was - 101.9 MSEK (-54.3 MSEK). Long-term investments, intangible and tangible fixed assets during the period amounted to 2.9 MSEK (6.9 MSEK). Total cash and short and long-term investments at the end of the period amounted to 316.9 MSEK compared with 453.5 MSEK in December 31, 2002.

Events after the period end

Acquisition of Biotage

On October 14 Pyrosequencing announced that the Company had reached an agreement with Dyax Corp to acquire Biotage LLC, a wholly-owned subsidiary of Dyax. After taking over the mortgage relating to Biotage's newly constructed premises in Virginia, USA the purchase price will be approx. 230 MSEK, which will be paid in cash. The acquisition will strengthen the Medicinal Chemistry product area, through a complementary product portfolio of purification and separation systems and a better balance between instruments and consumables.

Medicinal Chemistry is part of the corporate group from October 1, 2003

The acquisition of Personal Chemistry has given the group a world leading position in microwave-based synthesis technology. Coherent Synthesis™ is a revolutionizing technology for synthesis of drug candidates, offering 10-1000 times faster reactions. The method also enables the synthesis of substances previously considered impossible to synthesize. The position in the medicinal chemistry market has been further strengthened by the acquisition of the American company Biotage, which manufactures and sells systems for purification and separation of molecules in the research phase.

The product area's customers are chemists, primarily in the pharmaceutical industry and in academic research. The Company has a stable market share of around 60 percent in the pharmaceutical industry for microwave-based chemistry and 55-65 percent for the purification and separation systems area that was added through Biotage. Currently only 2-5 percent of all syntheses in organic chemistry are performed with microwave technology, consequently the market is considered to have a potential for fast growth in the coming years. As more than half of all pharmaceutical companies view the purification process as the major bottleneck in drug development, this market is also believed to have good potential for growth.

North America is the product area's largest market, followed by Europe. Japan and South East Asia are other important markets. After a slow start to the year, sales have picked up considerably during the summer and early fall in the US and the UK.

Future prospects

- After completing the mergers Pyrosequencing aims to have annual operating costs amounting to approximately 300 MSEK
- The Company aims to generate a positive cash flow in the second half of 2004.

Next report

The report for the full-year 2003 will be published on February 19, 2004.

Uppsala, Sweden October 23, 2003
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About the new corporate group

Pyrosequencing accelerates the drug discovery and development process and increases the knowledge of the importance of the genetic make-up by providing complete solutions for medicinal chemistry research and applied genetic analysis. Through its merger with Personal Chemistry the Company has further strengthened its customer base of commercial and academic partners, which include the world's top 20 pharmaceutical companies and prestigious academic institutes such as the US National Institutes of Health, the US Centers for Disease Control and Prevention and Sweden's Karolinska Institute. Headquartered in Uppsala, Sweden, Pyrosequencing has facilities in Boston, USA, Cambridge, UK and Constance, Germany. After the acquisition of Biotage the Company will have approx. 275 employees. Pro-forma the new group had sales of 427 MSEK in 2002. The Company is listed on the Stockholm stock exchange. Website: www.pyrosequencing.com

Certain statements in this press release are forward-looking. These may be identified by the use of forward-looking words or phrases such as "believe," "expect," "intend," and "should," among others. These forward-looking statements are based on Pyrosequencing's current expectations. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for such forward-looking statements. In order to comply with the terms of the safe harbor, Pyrosequencing notes that a variety of factors could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. Such uncertainties and risks include, but are not limited to, risks associated with management of growth and international operations (including the effects of currency fluctuations), variability of operating results, the commercial development of the DNA sequencing and genomics market, nucleic acid-based molecular diagnostics market, and genetic vaccination and gene therapy markets, competition, rapid or unexpected changes in technologies, fluctuations in demand for Pyrosequencing's products (including seasonal fluctuations), difficulties in successfully adapting the Company's products to integrated solutions and producing such products, and the Company's ability to identify and develop new products and to differentiate its products from competitors.

Pyrosequencing AB (publ)
Interim Report 1/1/03 – 9/30/03
2003-01-01—2003-09-30
INCOME STATEMENTS

Group	1)Proforma 1)Proforma					
Amounts in SEK (in thousands)	1/1/03- 9/30/03	1/1/02 9/30/02	7/1/03- 9/30/03	7/1/02- 9/30/02	1/1/03- 9/30/03	7/1/03- 9/30/03
Net sales	68,573	63,396	27,418	27,095	122,779	50,749
Cost of goods sold	(28,166)	(19,632)	(11,136)	(8,747)	(48,888)	(19,582)
Gross profit	40,407	43,764	16,282	18,348	73,891	31,167
Selling expenses	(62,114)	(76,570)	(22,410)	(22,852)	(120,899)	(41,001)
Administrative expenses	(29,408)	(40,027)	(9,019)	(12,992)	(46,940)	(14,553)
Research and development costs**	(57,672)	(41,445)	(15,664)	(21,321)	(89,673)	(26,911)
Other operating income	384	2,218	(471)	418	384	(471)
Other operating expenses	(8,335)	(5,303)	(2,760)	454	(27,004)	(9,693)
Operating result before non-recurring items and goodwill amortization	(116,738)	(117,363)	(34,042)	(37,945)	(210,241)	(61,462)
Non recurring items***	(88,372)	0	(87,666)	0	(119,182)	(112,805)
Depreciation goodwill	0	0	0	0	(22,411)	(7,470)
Operating loss	(205,110)	(117,363)	(121,708)	(37,945)	(351,834)	(181,737)
Result from financial investments						
Result from other securities held as long-term financial assets	15,178	11,098	4,825	2,035	15,178	4,825
Other interest income	815	5,288	312	3,658	815	312
Interest expense and similar profit/loss items	(298)	114	(271)	34	(629)	(341)
Financial income (net)	15,695	16,500	4,866	5,727	15,364	4,796
Loss after financial items	(189,415)	(100,863)	(116,842)	(32,218)	(336,470)	(176,941)
Tax expense	(153)	(19,718)	(72)	(5,861)	(153)	(72)
Net loss for the period	(189,568)	(120,581)	(116,914)	(38,079)	(336,623)	(177,013)
Weighted average shares outstanding	34,855,157	34,770,100	35,025,271	34,770,100	57,735,495	57,735,495
Weighted average shares outstanding after full dilution	34,986,340	35,542,402	35,740,874	35,073,844	57,866,678	58,451,098
Common shares outstanding	57,735,495	34,770,100	57,735,495	34,770,100	57,735,495	57,735,495
Net loss per share	(5.44)	(3.47)	(3.34)	(1.10)	(5.83)	(3.07)
Net loss per share after full dilution*)	(5.44)	(3.47)	(3.34)	(1.10)	(5.83)	(3.07)
*)As the earnings per share would decrease the loss per share when considering dilution, as a result of shares outstanding, the earnings per share have only been calculated without consideration of dilution						
**R&D costs in income statement	(57,672)	(41,445)	(15,664)	(21,321)	(89,673)	(26,911)
Capitalization during the period	(2,923)	(59,729)	(291)	(10,299)	(2,923)	(291)
Amortization during the period.	14,138	3,539	4,724	3,539	14,138	4,724
R&D costs without net capitalization	(46,457)	(97,635)	(11,231)	(28,081)	(78,458)	(22,478)
***Non recurring items						
Restructuring costs	45,953	0	45,247	0	76,763	70,386
Write-down capitalized development costs	40,609	0	40,609	0	40,609	40,609
Write-down patents and license rights	1,810	0	1,810	0	1,810	1,810
	88,372	0	87,666	0	119,182	112,805

1) Pro forma includes Pyrosequencing and Personal Chemistry group. See page 3.

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Interim Report 1/1/03 – 9/30/03

BALANCE SHEETS

Group

Amounts in SEK (in thousands)	9/30/03	12/31/02
ASSETS		
Fixed assets		
Intangible assets		
Capitalized expenditure for development	13,070	50,495
Patents and license rights	19,900	20,228
Goodwill	234,950	0
	267,920	70,723
Tangible assets		
Leasehold improvements	9,487	17,369
Plant and machinery	15,878	18,063
Equipment, tools, fixtures and fittings	26,580	15,745
Construction in progress and advance payments for tangible assets	1	94
	51,946	51,271
Financial assets		
Other securities held as financial assets	283,065	374,387
Other long-term receivables	128	163
	283,193	374,550
Total fixed assets	603,059	496,544
Current assets		
Inventories		
Raw materials and consumables	9,876	11,332
Semi-finished products	1,748	1,836
Finished products and goods for resale	33,864	18,782
Work in progress in excess of down payment	0	933
	45,488	32,883
Current receivables		
Accounts receivable - trade	37,165	28,328
Other receivables	10,562	8,707
Prepaid expenses and accrued income	8,584	14,219
	56,311	51,254
Investments		
Other short-term investments	68,634	71,700
	68,634	71,700
Cash and bank balances	55,633	25,655
Total current assets	226,066	181,492
TOTAL ASSETS	829,125	678,036

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Interim Report 1/1/03 – 9/30/03

BALANCE SHEETS

Group

Amounts in SEK (in thousands)	9/30/03	12/31/02
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	57,736	34,770
Restricted reserves/Share premium reserve	1,281,602	1,054,360
	1,339,338	1,089,130
Non-restricted equity		
Accumulated deficit	(472,976)	(304,591)
Net loss for the period	(189,568)	(168,378)
	(662,544)	(472,969)
Total equity	676,794	616,161
Provisions		
Other provisions	12,918	370
	12,918	370
Long term liabilities	8 797	0
Other long term liabilities	8 797	0
Current liabilities		
Accounts payable – trade	22,233	18,419
Other liabilities	10,049	7,335
Accrued expenses and deferred income	98,334	35,751
	130,616	61,505
TOTAL EQUITY AND LIABILITIES	829,125	678,036

Pyrosequencing AB (publ)
Interim Report 1/1/03 – 9/30/03

CHANGES IN EQUITY

Group

Amounts in SEK (in thousands)	2003	2002
Balance brought forward 1/1	616,161	784,983
Non-cash issue*	250,201	0
Issue expenses	0	(444)
Net loss for the period 1/1 –9/30	(189,568)	(120,581)
Balance carried forward 9/30	676,794	663,958

* The Non-cash issue was registered per 30 September , 2003 at PRV.

Pyrosequencing AB (publ)
Interim Report 1/1/03 – 9/30/03

STATEMENTS OF CASH FLOWS

Group

Amounts in SEK (in thousands)	1/1/03- 9/30/03	1/1/02- 9/30/02
Operating activities		
Operating loss after financing items	(189,415)	(100,863)
Adjustments for items not affecting cash flow		
Depreciation	24,673	15,681
Write off	42,419	0
Other items	(871)	(179)
Cash used in operating activities before changes in working capital	(123,194)	(85,361)
Changes in working capital		
Decrease/Increase in inventories	1,861	(1,301)
Decrease in accounts receivable - trade	3,060	5,466
Decrease in other current assets	11,613	5,976
Increase/Decrease in other current liabilities	29,942	(8,554)
Cash used in operating activities	(76,718)	(83,774)
Investing activities		
Purchase of intangible assets	(7,477)	(59,778)
Purchase of tangible assets	(2,248)	(7,792)
Purchase of long-term investments	(45,783)	0
Sale of tangible assets	0	724
Sale of short-term investments	3,066	91,335
Sale of long-term investments	137,105	55,550
Decrease of long-term receivables	35	39
Cash provided by investing activities	84,698	80,078
Net change in cash and cash equivalents	7,980	(3,696)
Cash and cash equivalents beginning of year	25,655	27,923
Increase in cash from acquisition	21,998	0
Cash and cash equivalents end of period	55,633	24,227
Cash, cash equivalents and investments in high-grade debt securities end of period	361,549	514,622

Accounting Principles

The accounting principles used in preparation of these financial statements are consistent with those used in the Company's latest Annual Report, with addition of the 2003 Swedish Financial Standards Council (Redovisningsrådet) recommendations which are presented below. These recommendations were implemented by the Company beginning on January 1, 2003.

Recommendation number 22, Presentation of Financial Statements

This recommendation has no significant effect on the interim reports.

Recommendation number 25, Segment Reporting – Branches and Geographical Areas

The Company considers all its business to be one segment, as the risks and opportunities are similar in the whole business. From October 1, 2003 the Company will report two segments; Genomics and Medicinal Chemistry. Net sales are divided into three geographic areas, however.

Recommendation number 26, Events after the Balance Sheet Date

When appropriate, the Company communicates substantial events that have taken place between the balance sheet date and the date for signing the financial statements.

Recommendation number 27, Financial Instruments: Disclosure and Presentation

The Company will provide information according to this recommendation in the Annual Report 2003.

Other 2003 recommendations have not been included in these comments, as they have no significant effect on the financial statements.

Review report

As the appointed auditors of Pyrosequencing AB we have reviewed this interim report in accordance with the recommendation issued by FAR. A review is considerably limited in scope compared with an audit. The non-audited pro forma accounts in the interim report are prepared as explained on page 3. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Exchange and Clearing Operations Act and Annual Accounts Act.

Uppsala October 23, 2003

Deloitte & Touche AB

Lars-Gunnar Nilsson
Authorized Public Accountant