



PYROSEQUENCING AB

Six months ended June 30, 2000

Company Completes Successful IPO and Reports Continued Order Growth

“We are extremely gratified by the acceptance the PSQ^ä 96 System has received worldwide”, said Erik Walldén, President and CEO. “To date we have received more than 25 orders for our system from 17 different customers in Europe, the United States and Japan. Customers from large Pharma, Biotechnology and Academia are using the PSQ^ä 96 System to advance applied genomics in both human health care and agricultural biotech.”

- IPO completed - raised 875 MSEK or \$99 million
- Rapid increase in orders for purchase of PSQTM 96 System - 25 orders received to date
- Global acceptance as revenue is recognized from Europe, the US and in Japan
- Preferred Technology Program (PTPTM) announced - a system for ultra high throughput SNP analysis
- Strong pipeline of prospective customers from successful marketing campaign
- Distribution agreements signed with B&L Systems and Paul Bucher AG for BeNeLux and Switzerland
- Distribution agreement signed with Sumitomo Corporation for the Japanese market

Summary financial data (in millions except share data)

	Six months ended June 30,			Three months ended June 30,		
	2000	2000	1999	2000	2000	1999
	USD*	SEK	SEK	USD*	SEK	SEK
Net sales	1.1	9.6	0.1	0.7	6.3	0.1
Gross profit	0.8	7.2	0.1	0.5	4.7	0.1
Gross margin, %	75.5	75.5	-	74.1	74.1	-
Operating result	- 6.0	-52.9	-35.2	-3.1	-27.3	-20.0
Result after financial items	-5.8	-51.5	-33.6	-3.1	-26.7	-19.8
Net result per share	-0.36	-3.14	-2.80	-0.18	-1.62	-1.56

	As of June 30,		
	2000	2000	1999
	USD*	SEK	SEK
Cash and cash equivalents	104.3	919.5	18.3
Total assets	109.4	965.3	43.4
Current liabilities	3.6	31.9	12.5
Total shareholders' equity	105.8	933.2	30.6

Weighted average shares outstanding	16 393	12 000
Total number of common shares outstanding	34 767	14 000

* Convenience translation rate: SEK 8.821 = USD

Pyrosequencing AB (PYRO Stockholm) today reported a 91% increase in net sales for the quarter ended June 30, 2000, over the first quarter of 2000, and an increase in PSQ™ 96 System orders of 100% for the same period. Additionally the Company announced its first sale in Japan in the second quarter. The Company reported a net loss of \$ 3.0 million, or \$ 0.18 per share, for the quarter ended June 30, 2000, compared to net loss of \$ 2.2 million or \$ 0.19 per share, for the same period last year. Revenue for the second quarter of 2000 was \$ 0.7 million and was generated by sales of the PSQ™ 96 System and related reagent kits. The PSQ™ 96 System is an instrument, reagent kits and soft ware, used in applied genomics and was launched by Pyrosequencing AB in February 2000. Operating expenses increased from \$ 2.2 million in the second quarter of 1999 to \$ 3.6 million in the second quarter of 2000. The increase in operating expenses reflects the costs associated with the company's development of a worldwide sales organization.

During June the Company completed its public offering and raised \$ 99 million net of expenses. Pyrosequencing AB will use the proceeds of the offering to expand its sales and marketing organization and to maintain a technology leadership position in the market place.

Pyrosequencing AB has its own sales force in Scandinavia, Germany, the United Kingdom and in the United States. The Company has distribution agreements with Sumitomo Corporation for Japan, B&L Biosystems for Benelux and Paul Bucher for Switzerland, which significantly increases the Company's access to the market.

Pyrosequencing AB develops, manufactures and sells complete systems for applied genetic analysis. In February 2000 the PSQ™ 96 System was launched to the market. The system includes an instrument, reagent kits, software and sample preparation tool for SNP analysis. The system is sold to research groups at pharmaceutical companies, academia, genomics and biotech firms, as well as to the ag/biotech industry. The Company believes it is the leading supplier of these systems based on the fact that it has sold 12 instruments this year, including nine in the second quarter, and has firm orders for another thirteen instruments.

Marketing and Sales

The global launch campaign initiated in February this year has generated a strong response from the market with over 2000 inquiries on Pyrosequencing™ technology and PSQ™96 System for SNP analysis and genotyping. Approximately 50% have been generated in the US and the rest primarily from Europe and Japan. Specifically strong demand has been seen from major pharmaceutical companies, leading genomics companies, contract research organizations, companies in agricultural biotech and prestigious academic institutes. A fully trained organization in North America, Europe and Japan is actively following up a rapidly increasing bank of prospective customers for PSQ™96 System.

Research and Development

The Company plans to enhance PSQ™96 System which currently includes a SNP kit and dedicated software for automatic SNP scoring, by the addition of a kit including reagents and software for Tag sequencing. Expected to be commercially available early next year, this product will address a new market segment with a rapidly increasing demand for using short stretches of DNA (Tags) as means of identifying genes and genomes.

The development of a system for ultra high throughput SNP analysis under the program of PTP™, based on Pyrosequencing™ reactions on 384 micro well plates, is well under way. The system is expected to have the capacity to score 100,000 SNP per day, in a fully automated operation. The first PTP™ System is expected to be installed in December 2000.

A new application (allele frequency) was released as an application note in June and will be available as separate Software product later this year.

An updated version of the SNP software V1.1 was released in August.

Financial Position

At June 30, cash, cash equivalents and short-term investments totaled \$ 104.3 million as compared to \$ 11.4 million at December 31, 1999. Pyrosequencing has no debt financing and total equity amounted to \$ 105.8 million and \$ 12.2 million at June 30, 2000 and December 31, 1999, respectively, providing an equity to assets ratio of 96.7% (80.2%)

Pyrosequencing AB raised \$ 99 million in a public offering in June 2000. Shares were offered to institutional investors worldwide and to retail investors in Sweden, resulting in significant geographic broadening of our shareholder base. Deutsche Bank acted as global co-ordinator and bookrunner of the Offering, with Alfred Berg and SG Cowen as co-lead managers.

Capital expenditures during the period amounted to \$ 0.3 million (0.4).

New members of the Board of Directors

At the ordinary Annual General Meeting in April the following new Board members were elected: Björn Svedberg, Dr. hc (chairman), Urban Jansson, Bengt Samuelsson, M.D., Ph.D.

Strengthening of the management

On May 24, 2000 Harry Wilcox joined Pyrosequencing AB as Executive Vice President and Chief of Finance and Corporate Development. Mr. Wilcox is based at the company's subsidiary in Westborough, MA, USA. Harry Wilcox comes most recently from Cambridge Neuroscience, Inc. where he served as CEO.

Human resources

At the end of the period the total number of employees in Pyrosequencing AB, including subsidiaries, was 65.

This report has not been subject to examination by the Company's auditors.

Next Report

The 3rd quarters results will be published on Wednesday, October 25, 2000.

Pyrosequencing AB (publ)

Erik Walldén, President and CEO

Pyrosequencing AB develops, manufactures and markets complete systems for applied genetic analysis based on its proprietary Pyrosequencing[®] technology. Applied genetic analysis may be used for drug development, drug selection and diagnostics. Pyrosequencing's technology addresses the increasing demand for applied genetic analysis across various markets, including research and clinical routine testing and large-scale customized industrial applications such as drug development by pharmaceutical companies.

Pyrosequencing AB

Erik Wallden
President and CEO
+46 18 56 59 02
+46 70 326 98 70

Media

Sören Densjö
Densjö Communications AB
+46 70 585 0525

Harry W. Wilcox
Executive Vice President
Chief of Finance and Corporate Development
+1 508 389 9911 ext. 120

Theresa McNeely
Vice President
Feinstein Kean Partners
+1 617 577 8110

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," "anticipate," "should," "planned," "estimated," and "potential," 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.

STATEMENT OF OPERATIONS

KSEK	The group		Parent company	
	2000-01-01 2000-06-30	1999-01-01 1999-06-30	2000-01-01 2000-06-30	1999-01-01 1999-06-30
Net sales	9 572	128	11 986	-
Cost of goods sold	-2 344	-	-3 322	-
	7 228	128	8 664	0
Selling expenses	-17 075	-	-10 508	-
Administrative expenses	-20 266	-13 316	-17 970	-13 248
Research and development costs	-21 520	-20 450	-21 385	-20 316
Other operating income	470	-	470	-
Other operating expenses	-1 703	-580	-1 570	-580
	-60 094	-34 346	-50 963	-34 144
Operating loss	-52 866	-34 218	-42 299	-34 144
<i>Result from financial investments</i>				
Interest income from group companies		-	307	-
Interest income	1 389	604	1 371	612
Interests expense and similar income/loss items	-36	-8	-36	-8
	1 353	596	1 642	604
Result after financial items	-51 513	-33 622	-40 657	-33 540
Tax on profit for the period	38	38	-	-
Net loss for the period	-51 475	-33 584	-40 657	-33 540

Pyrosequencing AB (publ)
Interim report 2000-01-01--2000-06-30

BALANCE SHEET

KSEK	The Group 2000-06-30	1999-06-30	Parent company 2000-06-30	1999-06-30
Assets				
Fixed assets				
<i>Intangible assets</i>				
Patents and license rights	12 202	1 517	11 731	776
	12 202	1 517	11 731	776
<i>Tangible assets</i>				
Leasehold improvements	1 410	1 035	849	1 035
Plant and machinery	2 292	1 834	2 056	1 834
Equipment, tools, fixtures and fittings	10 483	6 804	9 431	6 804
Constructions in progress and advance payments for tangible asset	1 327	521	1 327	521
	15 512	10 194	13 663	10 194
<i>Financial assets</i>				
Participations in group companies	0	-	3 658	3 491
Receivables from group companies	0	-	14 715	3 500
Other long-term receivables	145	-	-	-
	145	0	18 373	6 991
Total fixed assets	27 859	11 711	43 767	17 961
Current assets				
<i>Inventories</i>				
	4 448	-	3 693	-
<i>Current receivables</i>				
Accounts receivable-trade	6 917	-	4 846	-
Receivables from group companies	-	-	5 750	-
Other receivables	4 849	2 281	4 348	2 073
Prepaid expenses and accrued income	1 503	739	1 483	620
	13 269	3 020	16 427	2 693
<i>Investments</i>				
Other short-term investments	200	10 350	-	10 000
	200	10 350	0	10 000
<i>Cash and cash equivalents</i>				
	919 514	18 296	916 658	18 154
Total current assets	937 431	31 666	936 778	30 847
Total assets	965 290	43 377	980 545	48 808

Pyrosequencing AB (publ)
Interim report 2000-01-01--2000-06-30

BALANCE SHEET

KSEK	The group 2000-06-30	1999-06-30	Parent company 2000-06-30	1999-06-30
Equity				
<i>Restricted equity</i>				
Share capital	34 767	14 000	34 767	14 000
Restricted reserves/Share premium reserve	1 058 021	88 925	1 064 235	97 484
	1 092 788	102 925	1 099 002	111 484
<i>Non-restricted equity</i>				
Accumulated deficit	-108 123	-38 758	-111 450	-43 235
Result for the period	-51 475	-33 584	-40 657	-33 540
	-159 598	-72 342	-152 107	-76 775
Total equity	933 190	30 583	946 895	34 709
Provisions				
Provision for taxes	160	259	-	-
Total provisions	160	259	0	0
Current liabilities				
Accounts payable - trade	8 936	5 907	8 254	5 867
Liabilities to group companies	-	-	2 928	1 734
Other liabilities	1 223	1 897	1 223	1 815
Accrued expenses and deferred income	21 781	4 731	21 245	4 683
Total current liabilities	31 940	12 535	33 650	14 099
Total equity and liabilities	965 290	43 377	980 545	48 808

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Halvårsrapport för Q2

Koncernen

CONSOLIDATED STATEMENTS OF CASH FLOW

KSEK	2000-01-01-- 2000-06-30	1999-01-01 -- 1999-06-30
Operating activities		
Operating loss before financing activities	-51 380	-33 622
Adjustments for items not affecting cash flow statment	2 283	1 153
	-49 097	-32 469
Interest received	1 390	604
Interest paid	-36	-8
Taxes paid	-113	-8
Cash used in operating activities before changes in working capital	-47 856	-31 881
Changes in working capital		
Increase in inventories	-2 960	0
Decrease in accounts receivable-trade	1 248	786
Increase/decrease in other current assets	-5 436	9
Increase in accounts payable-trade	5 654	3 169
Decrease in other current liabilities	-255	-109
Cash used in operating activities	-49 605	-28 026
Investing activities		
Purchase of Pyro BV	-21	0
Purchase of fixed assets	-6 902	-4 571
Sale of short-term investments	70 150	19 606
Purchase of short-term investments	-145	0
Cash provided by (used in) investing activities	63 082	15 035
Financing activities		
New share issue	958 000	0
New share issue expenses	-82 265	0
Options to employees	0	120
Cash flow from financing activities	875 735	120
Net change in cash and cash equivalents	889 212	-12 871
Cash and cash equivalents beginning of period	30 302	31 167
Cash and cash equivalents end of period	919 514	18 296

