

PRESS RELEASE

7 August 2003

## **Pyrosequencing Acquires Personal Chemistry**

- Pyrosequencing acquires Personal Chemistry through a directed issue
- 94.1% of Personal Chemistry's shareholders support the transaction
- The acquisition of Personal Chemistry creates critical mass, gives a broader product portfolio and platform for continued consolidation
- Doubled sales and substantial cost synergies within administration and marketing improves possibility to reach profitability quicker

*Pyrosequencing AB ("Pyrosequencing") and the principal shareholders in Personal Chemistry i Uppsala AB ("Personal Chemistry") have reached an agreement by which Pyrosequencing will acquire the shares in Personal Chemistry held by the principal shareholders. These shares represent 94.1% of the share capital and votes in the company. The intention is to acquire the remaining shares and reach a separate agreement with the holders of options in Personal Chemistry. It is also intended that the acquisition will take place by a directed issue of shares and warrants in Pyrosequencing to the shareholders in Personal Chemistry. When the transaction is concluded, the shareholders of Personal Chemistry will control 40% of the share capital and votes in Pyrosequencing.*

*Jeff Bork, Chairman of the Board, Pyrosequencing:*

"The acquisition creates a world leader among biotechnology companies with a strong customer base among both commercial and academic customers. The two companies are each world leaders in their own fields and we see great opportunities for expansion into new fields. Consolidation is on the way in the biotechnology industry, and this constellation creates a basis for playing an active role in further consolidation. The new company will have cash assets of over SEK 400 million, and this will make it possible to acquire complementary companies. We estimate that the yearly cost synergies will amount to SEK 50-70 million and it is our ambition to reach profitability in the new company as soon as possible."

*Ove Mattsson, Chairman of the Board, Personal Chemistry:*

"A merger between Pyrosequencing and Personal Chemistry is a logical stage in the development of the companies, since global market processing and sales now have the highest priority. As long as efforts were principally directed towards research, development and initial market processing, the focus that the existence of two separate companies gave was a major benefit. However, what is needed now is to reach critical mass. Having several supporting fields within the merged company will provide the opportunity to work more efficiently within all areas. At the same time, the necessary conditions are created to provide resources for the most promising activities and create better opportunities at an international level for attracting high-quality employees. There is also the possibility for several interesting subsequent transactions, and the merger of

Pyrosequencing and Personal Chemistry is to be seen as the first step in an ongoing process for creating value and for restructuring."

The transaction is supported by the principal shareholders of Personal Chemistry, i.e. HealthCap, Investor Growth Capital, 3i, SEB Företagsinvest, Sören Nygren, Bankinvest, SEB fonder and Bengt Falk. These shareholders represent, together with other shareholders in Personal Chemistry that support the transaction, 94.1% of the share capital and votes in Personal Chemistry. Pyrosequencing's principal shareholders Pål Nyrén, HealthCap and Mathias Uhlén, together controlling 31.2% of the share capital and votes in Pyrosequencing, support the agreement.

Pyrosequencing and Personal Chemistry had net sales in 2002 of around SEK 98 million and around SEK 104 million, respectively. Pyrosequencing reported an operating loss of around SEK -173 million in 2002, and Personal Chemistry an operating loss of around SEK -132 million. For the first six months 2003, Pyrosequencing's net sales amounted to around SEK 41 million while Personal Chemistry's net sales amounted to around SEK 31 million. Pyrosequencing's and Personal Chemistry's operating loss amounted to around SEK -83 million and around SEK -63 million, respectively, for the first six months 2003. As of 30 June 2003, Pyrosequencing's liquid funds (including short- and longterm investments) amounted to around SEK 369 million and shareholders' equity to around SEK 544 million, while Personal Chemistry at the same date had liquid funds of around SEK 47 million and shareholders' equity of around SEK 89 million.

The acquisition requires customary mutual legal and financial due diligence, and it is expected that this can be carried out within two weeks. The acquisition also requires that an extraordinary general meeting within Pyrosequencing takes the necessary decisions concerning the issue of shares and warrants. The board of Pyrosequencing intends to call an extraordinary general meeting at a later date. Further information about the transaction will be published well before the extraordinary general meeting. Information to serve as a basis for the decisions of the general meeting will also be sent to Pyrosequencing shareholders before the extraordinary general meeting.

The transaction involves Pyrosequencing issuing, in consideration for the shares in Personal Chemistry, approximately 23.2 million shares and approximately 11.6 million warrants. Each newly issued warrant will have a term of four years and will carry the right to acquire one new share in Pyrosequencing at a price of SEK 16. Pyrosequencing currently has approximately 34.8 million issued shares. After the transaction, the shareholders of Personal Chemistry will control 40.0% of the share capital and votes in Pyrosequencing.

Alfred Berg ABN AMRO has been appointed as financial advisor and Mannheimer Swartling has been appointed as legal advisor for Pyrosequencing, while Carnegie has been appointed as financial advisor and Advokatfirman Vinge has been appointed as legal advisor for Personal Chemistry in connection with the transaction.

Uppsala, 7 August, 2003

Pyrosequencing AB (publ)  
*Board of Directors*

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*Press conference*

Representatives from Pyrosequencing and Personal Chemistry will present the transaction at a press conference, to be held today at 5 pm at Alfred Berg Fondkommission, Birger Jarlsgatan 7, level 3 (reception). It will also be possible to dial in to the press conference at telephone number +46 8 598 017 43.

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*Pyrosequencing, formed in the spring of 1997, is listed on the O-list of the Stockholm Stock Exchange and has its head office in Uppsala. The parent company has a number of subsidiaries that cover the main markets of the company, including the USA and the main markets in Europe such as Great Britain, Ireland, France and Germany. Pyrosequencing currently has 130 employees, 93 of them stationed in Uppsala. Pyrosequencing develops, manufactures and markets complete systems for rapid applied genetic analysis, based on its patented Pyrosequencing<sup>TM</sup> technology, a method for sequencing DNA with a wide range of application. Pyrosequencing leads the global market for applied genomics, having sold approximately 300 systems to major pharmaceutical companies, biotechnology companies, and prestigious research laboratories throughout the world. An agreement with Corbett Research allows Pyrosequencing to offer a comprehensive portfolio of products for applied genetic analysis. Pyrosequencing collaborates actively with leading industry partners in the development of clinical applications of the technology for diagnosis, determining clinical prognosis and pharmacological testing. The customers of the company include AstraZeneca, GlaxoSmithKline, Merck, The National Institutes of Health (NIH) in the USA, The Karolinska Institute and NASA.*

*Personal Chemistry was formed in 1998 and is a privately owned Swedish company with its head office in Uppsala and subsidiaries in Boston (USA), Cambridge (Great Britain) and Constance (Germany). The company currently has 86 employees. The company develops, markets and sells a new technique for organic chemical synthesis, known as Coherent Synthesis<sup>TM</sup>. Coherent Synthesis offers several advantages to users, including reactions that are 10-1,000 times more rapid, the possibility of synthesising previously "impossible" molecules, and increased reproducibility. These advantages together provide significantly increased productivity. Personal Chemistry is principally directed towards organic chemists active in the pharmaceuticals industry. The technique was introduced during 2000 and the company has since then sold approximately 300 instruments. Customers include all 20 of the major pharmaceuticals companies throughout the world. Coherent Synthesis is growing rapidly, and over 500,000 syntheses have now been*

*carried out, a figure that is growing by approximately 10,000 new syntheses per week. Personal Chemistry estimates its global market share to be 75-80%, and it estimates that the technique has currently reached approximately 3-5% of the potential market.*

*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.*