

THIRD QUARTER RESULTS

Uppsala, Sweden, October 25, 2000



PYROSEQUENCING AB

Pyrosequencing AB Reports Results for Third Quarter and Nine Months Ended September 30, 2000

--Company's DNA sequencing technology continues to penetrate global markets--

Uppsala, Sweden, October 25, 2000, Pyrosequencing AB (PYRO A: Stockholm) today reported financial results for the third quarter and nine months ended September 30, 2000. Commenting on the results, Erik Wallden, President and CEO stated,

"We continue to make significant progress in sales of our sequencing instruments and reagents. During the quarter, we sold 11 PSQ™ 96 Systems and as of today, another 9 are on order, resulting in third quarter revenues that exceed the first half of the year. We also expanded our global customer base, adding several prestigious organizations including the National Institutes of Health, the National Cancer Center of Tokyo, and the Karolinska Institute. These accomplishments bring to light how our 'sequencing by synthesis' technology is rapidly becoming a standard for applied genetic analysis."

Recent accomplishments include:

- Completed of a European sales organization and strengthened US sales initiatives
- Increased the number of repeat sales, with five customers installing two or more systems
- Sold PSQ™ 96 Systems to renowned academic institutes, including the National Institutes of Health, the National Cancer Center of Tokyo and the Karolinska Institute
- Continued sales success in the pharmaceutical arena, including leaders AstraZeneca, SmithKline Beecham and Janssen Pharmaceutica.
- Reagent kit sales increased above company's expectations
- Enhanced in-house software development capabilities
- Initiated multi-city technology seminars in Europe and a U.S. tour scheduled in November.

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Summary financial group data (in millions except share data)

	Nine Months ended September 30,			Three months ended September 30,		
	2000 USD*	2000 SEK	1999 SEK	2000 USD*	2000 SEK	1999 SEK
Net sales	2.1	20.4	0.2	1.1	10.9	0.1
Gross profit	1.7	16.5	0.2	1.0	9.2	0.1
Gross margin, %	80.4	80.4	-	84.8	84.8	-
Operating result	-7.7	-73.9	-51.4	-2.2	- 21.1	-17.2
Results after financial items	-6.2	-59.6	-50.7	-0.8	- 8.1	-17.0
Net result per share	-0.27	- 2.63	-4.22	-0.04	-0.36	-1.42

	As of September 30,		
	2000 USD*	2000 SEK	1999 SEK
Cash ,cash equivalents and short term investments	45.6	439.3	10.3
Non current investments	47.5	457.1	-
Total assets	99.8	960.7	24.7
Current liabilities	3.8	36.8	10.9
Total shareholders' equity	96.0	923.8	13.6

Weighted average shares outstanding	22 656	12 000
Total number of common shares outstanding	34 767	14 000

* Convenience translation rate: SEK 9.628 = USD

Financial Position

The Company reported a net loss of \$0.8 million, or \$0.04 per share, for the quarter ended September 30, 2000, compared to a net loss of \$1.8 million or \$0.15 per share, for the same period last year. Net sales for the third quarter of 2000 were \$1.1 million and were generated by sales of the PSQ™ 96 System and related reagent kits. Launched in February 2000, the PSQ™ 96 System is the first commercially available dedicated sequencing system for applied genetic analysis.

Pyrosequencing also reported net sales for the quarter ended September 30, 2000 that were in excess of total sales for the first six months of the year. Operating expenses increased from \$1.8 million in the third quarter of 1999 to \$3.1 million in the third quarter of 2000. The increase in operating expenses reflects the costs associated with the Company's development of a worldwide sales organization.

The increase in gross margins for the period reflects the change in exchange rate between the Swedish krona and the US dollar, while the effect on operating expenses eliminated the impact on the operating result.

At September 30, cash, cash equivalents and investments in high grade debt and equity securities, including investments with maturity dates exceeding twelve months, totaled \$93.1 million as compared to \$95.5 million at June 30, 2000. Pyrosequencing has no debt financing and total equity amounted to \$96.0 million and \$96.9 million at September 30, 2000 and June 30, 2000, providing an equity to assets ratio of 96% and 97% respectively.

Capital expenditures during the period amounted to \$1.1 million compared to \$0.5 million for the previous year.

Marketing and Sales

"We are pleased to witness the growing acceptance of Pyrosequencing™ technology, as pharmaceutical, genomics and agbiotech companies and academic research centers continue to evaluate analysis systems for applied genomics," said Erik Wallden. "We anticipate that the ramp-up process will continue to yield an impressive yet steady increase in PSQ™ 96 System orders. Additional orders are expected to come from enhanced sequencing applications, such as our PSQ™ System for Tag analysis—ideal for examining short stretches of DNA, which is currently being evaluated by customers and expected to be commercially available early in 2001."

Launched earlier this year, Pyrosequencing's PSQ™ 96 System, the first commercially available dedicated sequencing system for applied genetic analysis, is rapidly penetrating the European, U.S., and Japanese markets. Based on the Company's patented Pyrosequencing™ technology, the product performs rapid and accurate, reproducible Single Nucleotide Polymorphism (SNP) analysis, and offers a high capacity, cost-effective solution for SNP analysis and Tag sequencing—the analysis of short DNA sequences used for genetic identification. PSQ™ 96 Systems include a sequencing instrument, software, and reagent kits necessary to conduct SNP analysis. The Company believes it is the leading supplier of dedicated SNP-analysis systems based on the fact that it has sold 23 instruments this year, including 11 eleven in the third quarter, and has firm orders for another 9 instruments.

Recent sales of the PSQ™ 96 System reflect purchases by renowned research institutions including the National Cancer Center of Tokyo, and multiple systems sold to the National Institutes of Health and the Karolinska Institute.

Pyrosequencing AB has its own sales force in the United States, Scandinavia, Germany, and the United Kingdom. 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 global market.

Research and Development

The Company plans to enhance its 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 Company's new system for ultra high throughput SNP analysis is based on 384 well micro plates and Pyrosequencing™ technology. This system will have the capacity to score up to 100,000 SNPs per day in a fully automated operation. This is a product developed under the Company's Preferred Technology Program (PTP™), and the first installation is scheduled to be installed by year-end 2000.

Additional software modules enhancing the functionality of the SNP analysis system will be released early next year.

Human resources

At the end of the period the total number of employees in Pyrosequencing AB, including subsidiaries, was 77 compared to 65 at June 30, 2000.

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

Next Report

The full year report will be published on February 22, 2001.

Pyrosequencing AB (publ)
Erik Walldén, President and CEO

About Pyrosequencing AB

Pyrosequencing AB develops, manufactures and sells complete applied genetic analysis systems based on its Pyrosequencing™ technology, a simple-to-use DNA sequencing technique for accurate and consistent analysis. In the post-genome era, Pyrosequencing's technology addresses the increasing demand for applied genetic analysis across various markets, including research and routine clinical testing, as well as large-scale customized industrial applications, such as drug development by pharmaceutical companies. The Company's growing list of customers includes CuraGen Corporation, DuPont Agriculture, SmithKline Beecham, and the National Institutes of Health. The Company is headquartered in Uppsala, Sweden with North American operations located in Massachusetts. Pyrosequencing AB also has sales offices and distribution partners in Scandinavia, United Kingdom, Germany, BeNeLux, Switzerland and Japan. Pyrosequencing AB is listed on the OM Stockholm Exchange. The Company's Web site is www.pyrosequencing.com.

Pyrosequencing AB

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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

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Pyrosequencing AB (publ)
Interim report 2000-01-01--2000-09-30

INCOME STATEMENT

KSEK	The group		Parent Company	
	2000-01-01 2000-09-30	1999-01-01 1999-09-30	2000-01-01 2000-09-30	1999-01-01 1999-09-30
Net sales	20 449	193	26 614	-
Cost of goods sold	-3 993	-	-6 373	-
	16 456	193	20 241	0
Selling expenses	-26 810	-	-14 731	-
Administrative expenses	-27 419	-20 397	-23 387	-20 327
Research and development costs	-32 846	-30 303	-32 644	-30 088
Other operating income	470	-	470	-
Other operating expenses	-3 786	-870	-2 120	-870
	-90 391	-51 570	-72 412	-51 285
Operating loss	-73 935	-51 377	-52 171	-51 285
<i>Result from financial investments</i>				
Interest income from group companies	-	-	753	-
Interest income	14 363	735	14 335	766
Interest expense and similar profit/loss items	-60	-17	-60	-17
	14 303	718	15 028	749
Loss after financial items	-59 632	-50 659	-37 143	-50 536
Tax benefit for the period	57	56	-	-
Loss for the period	-59 575	-50 603	-37 143	-50 536

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BALANCE SHEET

KSEK	The group		Parent company	
	2000-09-30	1999-09-30	2000-09-30	1999-09-30
Assets				
Fixed assets				
<i>Intangible assets</i>				
Patents and license rights	11 926	1 418	11 522	744
	11 926	1 418	11 522	744
<i>Tangible assets</i>				
Leasehold improvements	1 457	1 917	802	1 917
Plant and machinery	2 030	7 275	2 030	7 275
Equipment, tools, fixtures and fittings	12 462	941	9 147	941
Constructions in progress and advance payments for tangible assets	8 608	-	8 608	-
	24 557	10 133	20 587	10 133
<i>Financial assets</i>				
Participations in group companies	-	-	3 871	3 491
Receivables from group companies	-	-	31 002	3 500
Non current investments	457 148	-	457 148	-
Other long-term assets	161	-	-	-
	457 309	0	492 021	6 991
Total fixed assets	493 792	11 551	524 130	17 868
Current assets				
<i>Inventories</i>				
	6 479	-	4 978	-
<i>Current receivables</i>				
Accounts receivable-trade	8 153	-	5 612	-
Receivables from group companies	-	-	15 352	-
Other receivables	3 718	2 114	3 084	1 867
Prepaid expenses and accrued income	9 285	703	9 129	608
	21 156	2 817	33 177	2 475
<i>Investments</i>				
Short term investments	330 000	350	330 000	-
	330 000	350	330 000	0
<i>Cash and bank balances</i>				
	109 312	9 983	94 580	9 854
Total current assets	466 947	13 150	462 735	12 329
Total assets	960 739	24 701	986 865	30 197

Pyrosequencing AB (publ)
Interim report 2000-01-01--2000-09-30

BALANCE SHEET

KSEK	The group		Parent company	
	2000-09-30	1999-09-30	2000-09-30	1999-09-30
Equity and liabilities				
Equity				
<i>Restricted equity</i>				
Share capital	34 767	14 000	34 767	14 000
Restricted reserves/Share premium reserve	1 056 757	88 925	1 062 970	97 484
	1 091 524	102 925	1 097 737	111 484
<i>Non-restricted equity</i>				
Accumulated deficit	-108 123	-38 758	-111 450	-43 235
Loss for the year	-59 575	-50 603	-37 143	-50 536
	-167 698	-89 361	-148 593	-93 771
Total equity	923 826	13 564	949 144	17 713
Provisions				
Provision for taxes	141	241	-	-
Total provisions	141	241	-	-
Current liabilities				
Accounts payable - trade	15 085	3 283	14 257	3 272
Liabilities to group companies	-	-	3 025	1 695
Other liabilities	1 730	2 095	1 581	2 014
Accrued expenses and deferred income	19 957	5 518	18 858	5 503
Total current liabilities	36 772	10 896	37 721	12 484
Total equity and liabilities	960 739	24 701	986 865	30 197

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Interim report 2000-01-01--2000-09-30
The group

CONSOLIDATED STATEMENTS OF CASH FLOW

KSEK	2000-01-01-- 2000-09-30	1999-01-01-- 1999-09-30
Operating activities		
Operating loss before financing items	-59 575	-50 659
Adjustments for items not affecting cash flow statement	5 442	2 207
	-54 133	-48 452
Taxes paid	-230	-113
Cash used in operating activities before changes in working capital	-54 363	-48 565
Changes in working capital		
Increase in inventories	-4 990	0
Increase/decrease in accounts receivable-trade	-6 672	1 101
Increase/decrease in other current assets	-5 760	9
Increase in other current liabilities	10 486	1 530
Cash used in operating activities	-61 299	-45 925
Investing activities		
Purchase of Pyro BV	-21	0
Purchase of intangible assets	0	-130
Purchase of tangible assets	-17 181	-4 855
Purchase/sale of short-term investments	-259 650	23 606
Purchase of long-term investments	-457 309	0
Cash provided by (used in) investing activities	-734 161	18 621
Financing activities		
New share issue	958 000	0
New share issue expenses	-83 530	0
Options to employees	0	120
Cash flow from financing activities	874 470	120
Net change in cash and cash equivalents	79 010	-27 184
Cash and cash equivalents beginning of period	30 302	31 167
Cash and cash equivalents end of period	109 312	3 983