



## HALF-YEAR REPORT JANUARY - JUNE 2001

- Biacore continued the positive sales trend seen in the first quarter of the year. Sales increased by 30% in the second quarter. For the first half-year 2001, sales increased by 37%.
- Pursuing its aggressive growth strategy, Biacore has continued to invest in commercializing its unique SPR array chip technology (SEK 8.0 million in the second quarter, SEK 30 million planned for the full-year 2001) and in marketing activities for the first of the new high-performance systems, Biacore®S51, which will be launched in the current quarter. As a result of these investments, earnings per share for the second quarter declined by 41% to SEK 0.40. Earnings per share for the first half-year 2001 increased by 14% to SEK 2.30.
- Biacore's collaboration with Boehringer Ingelheim Pharma KG has led to a new SPR system for manufacturing quality control applications. This new system will further extend Biacore's product offering to the pharmaceutical industry.
- Biacore has concluded a review of the economic conditions in its major markets and maintains its forecast and expects sales for the full-year 2001 to increase by more than 20%, with substantial quarterly variations.

	January - June 2001			April - June 2001		
	2001	2000	Change	2001	2000	Change
Sales, SEK million	<b>254.9</b>	185.4	37%	<b>122.4</b>	94.4	30%
Operating income, SEK million	<b>29.2</b>	25.6	14%	<b>3.4</b>	8.5	-60%
Operating margin, %	<b>11</b>	14		<b>3</b>	9	
Income after financial items, SEK million	<b>34.0</b>	28.7	18%	<b>6.0</b>	9.7	-38%
Earnings per share, SEK	<b>2.30</b>	2.02	14%	<b>0.40</b>	0.68	-41%

*Biacore is the global market leader in Surface Plasmon Resonance (SPR) based biosensor technology with its own operations in the U.S., across Europe, Japan, Australia and New Zealand. A strong patent portfolio protects Biacore's technology. Target groups consist primarily of medical and life science research laboratories and pharmaceutical and biotechnology companies all over the world. Biacore focuses on drug discovery as its prime area for future growth. Based in Uppsala, Sweden, the Company is listed on the Stockholm Stock Exchange and Nasdaq in the U.S.*

## OPERATIONAL REVIEW JANUARY-JUNE 2001

*Amounts stated in this report pertain to the Biacore Group, unless indicated otherwise. Figures in parentheses refer to January-June 2000.*

Biacore's business continues to experience good sales growth, reflecting the increasing recognition of the value of the Company's unique SPR technology. Sales in the second quarter increased by 30% to SEK 122.4 million with demand coming from both of the Company's key customer groups – the pharmaceutical and biotechnology industries and the life science research market. Overall sales for the first half of 2001 were up 37% to SEK 254.9 million. Excluding the impact of changes in exchange rates, sales increased by 25%.

The basis of the sales increase has been the Company's most sophisticated system, Biacore®3000, a system that can perform an impressive range of molecular binding studies. Biacore®3000 has played an important role in the Company's aggressive strategic move to become a value added technology supplier to the drug discovery industry. The success that Biacore has achieved to-date with this customer group provides strong support for the Company's on-going strategy of expanding its product offering to the pharmaceutical and biotechnology industries.

Biacore®3000 is used for applications in the critical areas of drug discovery upstream of high-throughput screening (HTS). These include target identification and validation, and assay development for HTS. The system has also been well accepted by academic customers in Biacore's core basic life science research market where it is used to solve a wide range of biological research problems encountered by scientists around the world.

Sales were divided geographically as follows:

SEK million	January-June			April-June		
	2001	2000	Change	2001	2000	Change
Americas	<b>128.8</b>	89.2	+44%	<b>54.7</b>	43.8	+25%
Europe	<b>62.6</b>	60.1	+4%	<b>39.8</b>	30.9	+29%
Asia-Pacific	<b>63.5</b>	36.1	+76%	<b>27.9</b>	19.7	+42%

Sales during the second quarter showed good growth in all of Biacore's key regional markets. Sales in the Americas, which have been growing strongly over the last two years, continued to move ahead at 25%. In Europe, sales recovered well in the second quarter, increasing by 29%. In Asia Pacific, Biacore's profile has been enhanced by its involvement in a major Japanese research project to study protein function. This contributed to a sales increase of 42% in the second quarter.

The gross margin in the second quarter of 2001 was 81%, in line with prior periods.

The second quarter saw further evidence of Biacore investing in its future growth with total costs for marketing, administration and research and development increasing by 46% to SEK 96.0 million (65.8). Marketing and sales costs rose by 43% to SEK 47.8 million (33.4) in the second quarter as the strengthening of Biacore's sales force structure continued and further preparations were made for the launch of the new Biacore®S51 system later in the third quarter.

The second quarter also saw R&D spending increase by 101% to SEK 29.7 million (14.8). This increase reflects the investment that was made in the Company's overall research structure and resources as well the SEK 8.0 million that was spent to commercialize Biacore's unique SPR array chip technology. This technology will provide major throughput advantages compared with current products and as a result will transform Biacore's product offering to the drug discovery industry. A total of SEK 13.6 million has been spent on SPR array chip technology in the first half of 2001.

In the second quarter, administration expenses increased by 5% to SEK 18.5 million (17.6).

Operating income for the second quarter amounted to SEK 3.4 million (8.5), a decrease of 60% as a result of the Company's much higher investment in research and development and marketing activities. The operating margin was 3% (9). Currency differences amounted to SEK 2.0 million (0.8) in 'Other income and expenses' and SEK 0.3 million (-0.3) in 'Financial items'.

The tax charge in the second quarter was 33% (32) of income after financial items.

Net income in the second quarter was SEK 4.0 million (6.6), giving a 41% decrease in diluted earnings per share to SEK 0.40 (0.68).

## **INVESTING ACTIVITIES**

During the first half-year 2001 capital expenditures totaled SEK 15.4 million (6.9).

## **PERSONNEL**

The 2001 Annual General Meeting of shareholders approved an employee stock option program of maximum 300,000 Biacore shares.

At the end of June 2001, Biacore had 277 (206) permanent employees.

## **THE U.S. PATENT DISPUTE**

As reported earlier, the U.S. District Court for the District of Delaware has awarded damages in favor of Biacore of approximately USD 1.7 million in the patent dispute with Thermo Bioanalysis Corp. Notices of appeal have now been filed by both parties to this patent dispute.

## **BUSINESS UNIT REVIEW**

### ***Pharmaceutical/Biotechnology Business Unit***

Biacore's increasing focus on the drug discovery market is based on the Company's confidence that its systems would be able to overcome some key bottlenecks faced by the pharmaceutical and biotechnology industries in development of new medicines.

The success that Biacore has achieved over the last two years with this customer base has fully validated this strategy and as a result the Company is now investing heavily to bring its new SPR based systems to the market as rapidly as possible.

### ***New High-Performance Systems***

The first new series of systems that Biacore will introduce is its new high-performance systems which have been designed to assist in solving some of the major analytical problems facing the drug discovery industry, particularly downstream of HTS. These include aspects of hit characterization, lead optimization and ADME, each of which is a serious bottleneck in drug discovery today. The new high-performance systems will complement the Biacore®3000 system, which targets applications upstream of HTS.

These new systems have been tailored for use by the drug discovery industry as a result of their development being conducted in collaboration with major pharmaceutical partners such as SmithKline Beecham, Pharmacia Corporation and Millennium Pharmaceuticals. The key benefits of these systems are their high sensitivity, high quality data and high throughput capabilities for specific applications downstream of HTS.

The first of these new systems, named Biacore®S51, which will be used for lead optimization and certain specific ADME applications, has concluded its final testing and remains on track to be launched in the third quarter of 2001.

The second quarter also saw the successful completion of the Company's collaboration with Boehringer Ingelheim Pharma. This collaboration which started in late 1999 has resulted in a new fully audited SPR system for use in quality control applications by the pharmaceutical industry. This new system offers speed, greater assay reliability and reproducibility and is aimed at replacing conventional technology. The new system is called Biacore®C and is due for launch late in 2001.

### ***SPR Array Chip Technology – A Transforming Technology***

Looking further ahead, the key to Biacore achieving its aggressive growth ambitions is its unique SPR array chip technology. This technology represents a major breakthrough as it has the potential to increase 1,000 fold the number of binding assays that can be performed per day. It is this dramatic increase in throughput that Biacore expects will allow it to become a major player in the proteomics revolution that is expected to become the most important area of life science research over the next decade.

The second quarter has seen further progress in Biacore's collaboration with Millennium Pharmaceuticals to commercialize its SPR array chip technology for proteomics and drug discovery applications. This collaboration, which was signed just over a year ago, is the first of a number of collaborations that Biacore expects to enter, in order to achieve the full potential of this technology.

Biacore is confident that the successful development of its new SPR array chip technology will provide the pharmaceutical industry with a unique tool to both explore protein function and to evaluate the vast number of proteins identified from genomic research as potential therapeutic targets.

### ***Higher Investment to Continue***

Biacore's confidence in the substantial commercial potential of its unique SPR array chip technology has led the Company to increase significantly its overall investment in this technology in order to bring it to the market as rapidly as possible.

In the year 2001, Biacore is on track to spend in the region of SEK 30 million on commercializing its SPR array chip technology. This level of spending is in line with plans and is in addition to the Company's on-going level of R&D spending. The Company expects this level of investment to enable it to launch the first SPR array based system in 2004.

### ***Life Science Business Unit***

The benefits of Biacore's unique SPR array chip technology will also be of major importance for the customers of the Company's core Life Science Business Unit, particularly those focusing on proteomics research.

Biacore extended its marketing activities in the proteomics area in the second quarter when it continued the global roll-out of its new campaign at the Federation of European Biochemical Societies Meeting, which was held in Lisbon, Portugal at the end of June. This campaign is focused on the benefits of using SPR technology to study protein-protein interaction and for ligand fishing, two key areas of proteomics research.

The second quarter also saw the Life Science Business Unit continue its major marketing campaign, highlighting the benefits of SPR technology as a key tool for cancer research. This campaign is specifically targeted at researchers in the area of cancer and is designed to complement Biacore's proteomics marketing efforts.

In order to support these two marketing campaigns two new microsites have recently been added to the Biacore website. These microsites have been designed to give life science researchers greater insight into the benefits that the Company's SPR systems can provide to solving problems in important areas of biological research.

## ***Food Business Unit***

The second quarter saw further progress with the Company's Food Business Unit. The first phase of the new XenoSense laboratory, which is based in Belfast, Northern Ireland was opened. XenoSense, which is a spin-out from Queens University, Belfast, is an important part of Biacore's ambitions to develop its SPR technology for the food analysis market. Xenosense will focus on the development of new analysis kits to support the Company's SPR system called Biacore®Q, which is designed for use by the food industry.

## ***FACING THE FUTURE WITH CONFIDENCE***

Biacore is confident about its future prospects based on:

- the growth that can be achieved by the Pharmaceutical/Biotechnology Business Unit through both its present products and the new high-performance systems
- the growth prospects for the Company's Life Science Business Unit as a result of the massive global interest in proteomics
- the opportunity for SPR technology to gain acceptance as an analytical/screening tool for the food industry
- the potential of the Company's new SPR array chip technology which will allow Biacore to become a significant player in the proteomics revolution
- the Company's strong financial position, its broad patent portfolio and the determination and experience of the Biacore management team.

## **ACCOUNTING PRINCIPLES**

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation No. 20 (RR 20), Interim Financial Reporting.

## **PARENT COMPANY**

Biacore International AB handles group wide functions and provides certain intercompany services but has no other business of its own. Sales during the first half-year 2001 amounted to SEK 3 million (3) and income after financial items was SEK -22 million (-7).

## **QUARTERLY SALES VARIATIONS**

Biacore's total sales during the period 1998-2000 were divided between the quarters as follows:

Quarter 1	22%	Quarter 3	18%
Quarter 2	22%	Quarter 4	38%

## OUTLOOK FOR THE FULL-YEAR 2001

Biacore has concluded a review of the economic conditions in its major markets and maintains its forecast and expects sales for the full-year 2001 to increase by more than 20%, with substantial quarterly variations.

Uppsala, Sweden, July 23, 2001  
BIACORE INTERNATIONAL AB (publ)  
*Ulf Jönsson*  
President

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

## FINANCIAL INFORMATION

Biacore plans to release the remaining reports for 2001 as follows:

January – September    Friday, October 19, 2001  
January – December    Thursday, February 21, 2002

*This press release contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 which, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.*

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More information on Biacore is available at the Company's website: [www.biacore.com](http://www.biacore.com)  
(SSE: BCOR; Nasdaq: BCOR; Reuters: BCOR.N)

## Biacore Consolidated Income Statements

SEK million	January-June			April-June			Full year
	2001	2000	Change	2001	2000	Change	2000
<b>Sales</b>	<b>254.9</b>	<b>185.4</b>	37%	<b>122.4</b>	<b>94.4</b>	30%	<b>438.8</b>
Cost of goods sold	-47.4	-34.3	38%	-23.8	-19.7	21%	-78.1
Marketing	-86.8	-62.1	40%	-47.8	-33.4	43%	-147.4
Administration	-41.5	-30.1	38%	-18.5	-17.6	5%	-60.8
Research and development	-54.9	-31.1	77%	-29.7	-14.8	101%	-72.8
Other income and expenses	7.4	0.2		2.1	0.8		3.3
Amortization of goodwill	-2.5	-2.4		-1.3	-1.2		-5.0
<b>Operating income</b>	<b>29.2</b>	<b>25.6</b>	14%	<b>3.4</b>	<b>8.5</b>	-60%	<b>78.0</b>
Financial items, net	4.8	3.1		2.6	1.2		8.7
<b>Income after financial items</b>	<b>34.0</b>	<b>28.7</b>	18%	<b>6.0</b>	<b>9.7</b>	-38%	<b>86.7</b>
Income taxes	-11.0	-9.0		-2.0	-3.1		-27.6
<b>Net income</b>	<b>23.0</b>	<b>19.7</b>		<b>4.0</b>	<b>6.6</b>		<b>59.1</b>
Basic earnings per share, SEK	2.36	2.02		0.41	0.68		6.06
Diluted earnings per share, SEK	2.30	2.02		0.40	0.68		6.02
No. of shares, average, diluted, thousands	9,982	9,750		10,023	9,750		9,817
Net income	23.0	19.7		4.0	6.6		59.1
Stock options issued	12.8	-		12.8	-		-
Currency translation differences	10.6	1.0		5.3	1.5		5.9
Change in shareholders' equity	46.4	20.7		22.1	8.1		65.0

## Quarterly Income Statements

SEK million	April-June	Jan.-March	Oct.-Dec.	July-Sept.	April-June	Jan.-March
	2001	2001	2000	2000	2000	2000
<b>Sales</b>	<b>122.4</b>	<b>132.5</b>	<b>165.3</b>	<b>88.1</b>	<b>94.4</b>	<b>91.0</b>
Cost of goods sold	-23.8	-23.6	-27.1	-16.7	-19.7	-14.6
Marketing	-47.8	-39.0	-52.9	-32.4	-33.4	-28.7
Administration	-18.5	-23.0	-15.4	-15.3	-17.6	-12.5
Research and development	-29.7	-25.2	-28.6	-13.1	-14.8	-16.3
Other income and expenses	2.1	5.3	-2.4	5.5	0.8	-0.6
Amortization of goodwill	-1.3	-1.2	-1.3	-1.3	-1.2	-1.2
<b>Operating income</b>	<b>3.4</b>	<b>25.8</b>	<b>37.6</b>	<b>14.8</b>	<b>8.5</b>	<b>17.1</b>
Financial items, net	2.6	2.2	3.0	2.6	1.2	1.9
<b>Income after financial items</b>	<b>6.0</b>	<b>28.0</b>	<b>40.6</b>	<b>17.4</b>	<b>9.7</b>	<b>19.0</b>
Income taxes	-2.0	-9.0	-12.7	-5.9	-3.1	-5.9
<b>Net income</b>	<b>4.0</b>	<b>19.0</b>	<b>27.9</b>	<b>11.5</b>	<b>6.6</b>	<b>13.1</b>
Basic earnings per share, SEK	0.41	1.95	2.86	1.18	0.68	1.34
Diluted earnings per share, SEK	0.40	1.91	2.80	1.17	0.68	1.34
No. of shares, average, diluted, thousands	10,023	9,943	9,957	9,820	9,750	9,750

## Sales by region

SEK million	Jan.-June	Jan.-June	April-June	Jan.-March	Oct.-Dec.	July-Sept.	April-June	Jan.-March
	2001	2000	2001	2001	2000	2000	2000	2000
Americas	128.8	89.2	54.7	74.1	62.1	40.6	43.8	45.4
Europe	62.6	60.1	39.8	22.8	46.5	32.5	30.9	29.2
Asia-Pacific	63.5	36.1	27.9	35.6	56.7	15.0	19.7	16.4
	<b>254.9</b>	<b>185.4</b>	<b>122.4</b>	<b>132.5</b>	<b>165.3</b>	<b>88.1</b>	<b>94.4</b>	<b>91.0</b>

**Biacore Consolidated Balance Sheets**

SEK million	June 30		Dec. 31
	2001	2000	2000
Intangible assets	33.6	35.5	32.8
Property, plant & equipment	94.7	81.9	83.4
Long-term investments	68.0	54.0	68.0
Other long-term assets	24.1	14.4	22.8
Other current assets	221.5	159.3	169.0
Liquid funds	266.4	225.0	267.8
<b>Total assets</b>	<b>708.3</b>	<b>570.1</b>	<b>643.8</b>
Shareholders' equity	540.5	449.8	494.1
Provisions	57.0	44.7	54.4
Liabilities	110.8	75.6	95.3
<b>Total shareholders' equity and liabilities</b>	<b>708.3</b>	<b>570.1</b>	<b>643.8</b>

**Financial structure**

Operating capital	232.7	193.7	188.3
Long-term investments	68.0	54.0	68.0
Net interest-bearing assets	236.0	201.3	243.6
Net payable and deferred income tax asset	3.8	0.8	-5.8
<b>Shareholders' equity</b>	<b>540.5</b>	<b>449.8</b>	<b>494.1</b>

**Biacore Consolidated Statements of Cash Flows**

SEK million	January-June		Full year
	2001	2000	2000
Net income	23.0	19.7	59.1
Less: Depreciation and amortization	9.5	8.8	19.4
Change in working capital	-27.8	4.3	13.9
Other	6.6	0.2	5.9
<b>Cash flows from operating activities</b>	<b>11.3</b>	<b>33.0</b>	<b>98.3</b>
Payments for purchase of businesses	-	-0.7	-0.8
Purchase of intangible assets	-2.3	-	-
Purchase of property, plant and equipment	-15.4	-6.9	-14.2
Proceeds from sale of property, plant and equipment	-	-	1.5
Purchase of long-term investments	-	-36.7	-50.8
<b>Cash flows from investing activities</b>	<b>-17.7</b>	<b>-44.3</b>	<b>-64.3</b>
Change in current financial liabilities	5.0	-5.4	-7.9
<b>Cash flows from financing activities</b>	<b>5.0</b>	<b>-5.4</b>	<b>-7.9</b>
<b>Net change in liquid funds</b>	<b>-1.4</b>	<b>-16.7</b>	<b>26.1</b>

**Key figures**

Operating margin	11.5%	13.8%	17.8%
Return on operating capital	27.7%	25.5%	39.4%
Return on equity	8.9%	9.0%	12.8%
Equity ratio	76%	79%	77%
Shareholders' equity per share, diluted, SEK	54.03	46.13	49.66
No. of shares, thousands	9,750	9,750	9,750
No. of shares, end of period, diluted, thousands	10,004	9,750	9,950
No. of shares, average, diluted, thousands	9,982	9,750	9,817