



INTERIM REPORT JANUARY - JUNE 1999

- Sales increased by 4%.
- Strong recovery in Japan led to a sales increase of 34% in Asia-Pacific.
- Expansion of the sales and marketing organization, primarily in Japan, was the main reason for the decrease of earnings per share by 5%.
- Successful entry into drug discovery applications with BIACORE[®] 3000 – increased efforts initiated.
- For the full-year 1999, a sales increase in line with the earlier forecast is expected, i.e. in the range of 10%.

June	January – June			April –		
	1999	1998	Change	1999	1998	Change
Sales, SEK million	142.7	137.1	+4%	71.6	67.8	+6%
Operating income, SEK million	22.9	25.0	-8%	10.8	12.2	-11%
Operating margin, %	16	18		15	18	
Income after financial items, SEK million	27.1	30.4	-11%	12.8	15.5	-17%
Earnings per share, SEK	2.01	2.12	-5%	0.88	1.03	-15%

Biacore is a global market leader in affinity-based biosensor technology. Target groups consist primarily of medical and life science research laboratories, however, expansion is being pursued in other areas, such as food analysis. Based in Uppsala, Sweden, the Company is listed on the Stockholm Stock Exchange and Nasdaq in the U.S.

Operations during the period January-June 1999

Amounts stated in this report pertain to the Biacore Group, unless indicated otherwise. Figures in parentheses refer to January-June 1998.

Sales during the first six months of 1999 totaled SEK 142.7 million (137.1), an increase of 4% compared with the same period in 1998. Excluding currency effects, sales increased by 1%.

Sales were divided geographically as follows:

SEK million	January - June			April – June		
	1999	1998	Change	1999	1998	Change
Americas	62.5	74.0	-16%	37.1	41.2	-10%
Europe	42.5	35.0	+21%	17.2	18.2	-5%
Asia-Pacific	37.7	28.1	+34%	17.3	8.4	+106%

The dip in sales that characterized the first quarter in the Americas lingered during the first part of the second quarter, but a clear improvement took place towards the end of the period. For the full-year, an increase in sales compared to last year is expected.

A very healthy sales increase was achieved in Europe during the first six months, although sales during the second quarter fell marginally below the level for the same period in 1998. Short-term sales variations are normal in Biacore's markets.

Due to a very strong increase in Japan, sales in Asia-Pacific doubled during the second quarter compared with the same period last year. This made Asia-Pacific the market segment with the strongest sales development during the first six months of 1999.

The gross margin was 81.6% (79.1). The improvement is attributable to a more favorable product mix.

Costs for sales and marketing increased by 28% compared with the first six months of 1998. Although the build-up of resources in the Americas and Europe has led to cost increases in these regions, the majority of the increase pertains to Japan, where sales activities were taken over from the previous distributor during the first quarter. Instead of paying a commission based on sales, Biacore now has fixed costs for its sales activities in Japan. With comparatively low sales during the first half-year 1998, the commission for this period was very low compared with the more normal cost level during the first half-year 1999.

R&D expenditures decreased by 4% compared to the same period last year and corresponded to 17% of sales. Due to lower costs for the patent litigation in the U.S., administrative costs decreased by 12% compared to the first six months of 1998.

Operating income fell by 8% to SEK 22.9 million (25.0). Currency differences amounted to SEK -0.9 million (-0.8) in "Other income and expenses" and SEK 0.9 million (1.9) in "Financial items".

The tax charge was 28% of income after financial items. Net income was SEK 19.6 million (20.7), giving earnings per share of SEK 2.01 (2.12).

Investing activities and capital structure

Capital expenditures totaled SEK 12.8 million (5.5). The increase in operating capital during the last twelve months mainly relates to increased accounts receivable due to the increase of sales in Japan, the second partial payment (of three) for the acquisition of the Japanese sales operations, an expansion of office premises in Uppsala and the appreciation of the Japanese yen and U.S. dollar.

Personnel

Biacore had 178 (149) permanent employees at the end of June 1999. The increase is attributable to further strengthening of the marketing organization, mainly the takeover of the sales operations in Japan.

Drug discovery

Sales of BIACORE[®] 3000 have developed very well. The instrument is increasingly being used by a number of the large pharmaceutical companies to aid in the target identification and High Throughput Screening (HTS) assay design steps of the discovery process. The technology is providing novel data on new therapeutic target systems and is enabling the rapid development and troubleshooting of HTS assays based on standard fluorescence and radiochemical techniques, increasing efficiency and delivering significant cost savings.

This development is encouraging in view of Biacore's increased efforts to expand its profile and business within the high growth drug discovery sector.

Diffchamb

In May, discussions were initiated with Diffchamb AB regarding a collaboration between the two companies on marketing and product development in the area of food analysis. These discussions include a new share issue directed to Biacore of one million Diffchamb shares at SEK 27 per share. If this issue is made, Biacore will become the largest shareholder in Diffchamb with approximately 36% of the total number of shares. At present, Biacore holds 10.6% of the shares in Diffchamb.

Year 2000

Biacore manufactures and sells products that include electronic hardware and software. All instrument systems sold today are considered to be year 2000 compatible. A number of subprojects have been carried out, e.g. pertaining to production machinery, information technology, the suppliers' capability to handle the year 2000, accounting systems and real estate. Remaining issues primarily concern the installation of a new e-mail system and ongoing control of new programs and systems being installed. The cost of the project is still estimated at approximately SEK 1 million and is expensed as incurred.

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 1999 amounted to SEK 3 million (6) and income after financial items was SEK -3 million (3).

Outlook for the full year 1999

For the full year 1999, a sales increase in line with the earlier forecast is expected, i.e. in the range of 10%.

Uppsala, Sweden, July 16, 1999

Lars-Göran Andrén
President and CEO

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

The report for the period January-September 1999 will be published on Thursday, October 21, 1999.

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Biacore Consolidated Income Statements

SEK million	January-June			April-June			Full year
	1999	1998	Change	1999	1998	Change	1998
Sales	142.7	137.1	4%	71.6	67.8	6%	288.8
Cost of goods sold	-26.3	-28.6	-8%	-12.2	-14.0	-13%	-52.7
Marketing	-50.6	-39.4	28%	-27.7	-19.0	46%	-91.6
Administration	-14.3	-16.2	-12%	-6.9	-7.8	-12%	-42.0
Research and development	-24.5	-25.4	-4%	-12.0	-12.1	-1%	-48.7
Other income and expenses	-0.8	0.3		-0.3	-1.4		4.7
Amortization of goodwill	-3.3	-2.8		-1.7	-1.3		-5.7
Operating income	22.9	25.0	-8%	10.8	12.2	-11%	52.8
Financial items, net	4.2	5.4		2.0	3.3		4.5
Income after financial items	27.1	30.4	-11%	12.8	15.5	-17%	57.3
Income taxes	-7.5	-9.7		-4.2	-5.4		-17.6
Net income	19.6	20.7		8.6	10.1		39.7
Earnings per share, SEK	2.01	2.12		0.88	1.03		4.07

Quarterly Income Statements

SEK million	April-June	Jan.-Mar.	Oct.-Dec.	July-Sept.	April-June	Jan.-Mar.
	1999	1999	1998	1998	1998	1998
Sales	71.6	71.1	100.9	50.8	67.8	69.3
Cost of goods sold	-12.2	-14.1	-14.3	-9.8	-14.0	-14.6
Marketing	-27.7	-22.9	-32.5	-19.7	-19.0	-20.4
Administration	-6.9	-7.4	-18.8	-7.0	-7.8	-8.4
Research and development	-12.0	-12.5	-14.0	-9.3	-12.1	-13.3
Other income and expenses	-0.3	-0.5	3.4	1.0	-1.4	1.7
Amortization of goodwill	-1.7	-1.6	-1.5	-1.4	-1.3	-1.5
Operating income	10.8	12.1	23.2	4.6	12.2	12.8
Financial items, net	2.0	2.2	-2.2	1.3	3.3	2.1
Income after financial items	12.8	14.3	21.0	5.9	15.5	14.9
Income taxes	-4.2	-3.3	-6.3	-1.6	-5.4	-4.3
Net income	8.6	11.0	14.7	4.3	10.1	10.6
Earnings per share, SEK	0.88	1.13	1.51	0.44	1.03	1.09

Sales by region

SEK million	Jan.-June	Jan.-June	April-June	Jan.-Mar.	Oct.-Dec.	July-Sept.	April-June	Jan.-Mar.
	1999	1998	1999	1999	1998	1998	1998	1998
Americas	62.5	74.0	37.1	25.4	31.6	20.4	41.2	32.8
Europe	42.5	35.0	17.2	25.3	31.6	25.5	18.2	16.8
Asia-Pacific	37.7	28.1	17.3	20.4	37.7	4.9	8.4	19.7
	142.7	137.1	71.6	71.1	100.9	50.8	67.8	69.3

Biacore Consolidated Balance Sheets

SEK million	June 30		Dec. 31
	1999	1998	
Intangible assets	53.9	50.6	57.5
Property, plant & equipment	81.0	75.0	72.1
Shares	9.7	9.7	9.7
Other long-term assets	8.5	2.2	9.1
Other current assets	106.1	84.4	132.3
Liquid funds	239.1	232.7	240.2
Total assets	498.3	454.6	520.9
Shareholders' equity	387.1	336.0	366.5
Provisions	55.7	57.5	68.2
Liabilities	55.5	61.1	86.2
Total shareholders' equity and liabilities	498.3	454.6	520.9

Financial structure

Operating capital	158.5	119.0	142.6
Shares	9.7	9.7	9.7
Net interest-bearing assets	219.5	215.1	221.4
Net payable and deferred income tax liability	-0.6	-7.8	-7.2
Shareholders' equity	387.1	336.0	366.5

Biacore Consolidated Statements of Cash Flows

SEK million	January-June		Full year
	1999	1998	
Net income	19.6	20.7	39.7
Less: Depreciation and amortization	8.4	6.9	14.6
Change in working capital	-2.4	30.4	5.7
Other	-0.8	-3.5	3.3
Cash flows from operating activities	24.8	54.5	63.3
Payments for purchase of businesses	-13.1	-	-
Purchase of fixed assets	-12.8	-5.5	-11.2
Proceeds from sale of fixed assets	-	1.5	1.8
Repayment of purchase price for real estate	-	-	4.1
Cash flows from investing activities	-25.9	-4.0	-5.3
Change in current financial liabilities	-	-0.6	-0.6
Cash flows from financing activities	0.0	-0.6	-0.6
Net change in liquid funds	-1.1	49.9	57.4

Key figures

Operating margin	16.0%	18.2%	18.3%
Return on operating capital	30.4%	36.5%	35.5%
Return on equity	10.4%	12.7%	11.6%
Equity ratio	78%	74%	70%
Shareholders' equity per share, SEK	39.70	34.46	37.59
No. of shares	9 750 000	9 750 000	9 750 000