



INTERIM REPORT JANUARY- SEPTEMBER 2005

- Biacore continued its recovery in the key American market with sales increasing by 21%. However, this was offset by lower sales in Europe (-14%) and Asia-Pacific (-27%). Total sales in the third quarter of 2005 amounted to SEK 126.2 million (134.1), a decline by 6%. During the first nine months of 2005, sales increased by 11% to SEK 375.3 million (337.4) compared with the same period in 2004. Excluding the effect of exchange rates, total sales increased by 13%.
- Operating income for the third quarter was SEK 23.6 million (-18.7). This strong increase is mainly due to the absence of non-recurring items in 2005 and cost reductions. In the third quarter result for 2004, Biacore recorded costs of SEK 58 million to cover a write-down in the value of the array technology and changes in key management. The operating income for the first nine months of 2005 amounted to SEK 60.9 million (-18.3).
- Net income for the third quarter amounted to SEK 16.5 million (-24.5). Net income for the first nine months of 2005 was SEK 141.8 million (-24.9). This amount includes a one-off tax credit, booked in the second quarter, of SEK 97 million (SEK 9.91 per share) resulting from an internal asset transfer in conjunction with the move of the Company's Corporate Headquarters and operations to Sweden. Diluted earnings per share were SEK 1.69 (-2.53) in the third quarter and SEK 14.54 (-2.56) in the first nine months of 2005.
- Biacore continues to build its position in the rapidly developing protein array market. In September, the Company launched a major marketing drive behind its two new array products, Biacore® A100 and Flexchip System, at a number of major life science conferences in both the United States and Europe. The third quarter saw the first industrial sale of Biacore® A100 to one of the world's leading pharmaceutical companies.
- Biacore maintains its previous outlook for the full-year 2005: Biacore anticipates achieving an increase in sales and returning to historic levels of profitability with variations between the quarters.
- As from January 1, 2005, Biacore uses IFRS (International Financial Reporting Standards). Prior year amounts have been restated accordingly.

	January - September			July - September		
	2005	2004	Change	2005	2004	Change
Sales, SEK million	375.3	337.4	11%	126.2	134.1	-6%
Operating income (loss), SEK million	60.9	-18.3		23.6	-18.7	
Operating margin, %	16.2	-5.4		18.7	-13.9	
Income (loss) after financial items, SEK million	60.7	-15.6		23.4	-18.2	
Net income (loss), SEK million	141.8	-24.9		16.5	-24.5	
Earnings (loss) per share, SEK	14.54	-2.56		1.69	-2.53	

Erik Walldén, President and CEO of Biacore, commenting on today's announcement said. "Biacore did well in the third quarter in view of the quarterly variations that characterize our business. The sales growth that we achieved in the United States during the last six months demonstrates that our new more commercially focused organization is enhancing our penetration of this key market. In Europe, we fell short of sales in the third quarter 2004 which were higher than any previous third quarter. In Asia-Pacific, sales more than doubled in the first half-year, and, as a result, we expected a slow-down in the second half. The new systems, particularly Biacore® T100, have met with a positive market reaction and our cost base is now at more appropriate levels. Given this background, I am confident that we can deliver our 2005 targets."

OPERATIONAL REVIEW JANUARY-SEPTEMBER 2005

Amounts stated in this report relate to the Biacore Group, unless otherwise indicated. Figures in parentheses refer to the corresponding period in 2004.

Sales

In the third quarter, Biacore made further progress in the world's largest market for life science systems with higher sales being recorded in the United States. However, the strong performance in this market was offset by lower revenues in Europe and Asia-Pacific. Sales in the third quarter amounted to SEK 126.2 million (134.1), a 6% decline. In the first nine months of 2005, sales increased by 11% to SEK 375.3 million (337.4) compared with the same period in 2004. Excluding the effect of exchange rates, total sales increased by 13%.

The highlight of the third quarter was the continued recovery of Biacore's sales in the Americas with an increase of 21% over the same period in 2004. This is the result of improvements to the Company's sales capabilities in this key market which has enhanced its business with industrial customers. During the quarter, there was also a pick-up in government orders as a result of the National Institute of Health's (NIH) year-end. Biacore's improved sales capability has allowed it to capitalize on the recently introduced products, particularly Biacore®T100. Biacore is still looking to strengthen its position in this important market by recruiting additional experienced sales personnel and this improved coverage should advance the Company's position still further going forward.

The decline by 14% in Europe in the third quarter is to a large extent an example of the quarterly variations that characterize Biacore's business, for example, the third quarter 2004 was the strongest third quarter in terms of sales ever achieved by Biacore in Europe. The Company is working to further improve its sales and marketing structure by recruiting sales personnel with more experience of marketing to customers in the pharmaceutical industry.

In Asia-Pacific, third quarter revenues declined as anticipated due to lower sales in markets covered by distributors where large quarterly variations are common. For example, the food sector made an important contribution to sales in this part of the region during the third quarter 2004. In Japan, Biacore's most important market in the region, sales did well in the third quarter, particularly to industrial customers.

Sales were divided geographically as follows:

SEK million	January-September			July-September		
	2005	2004	Change	2005	2004	Change
Americas	141.3	132.3	7%	54.6	45.2	21%
Europe	124.7	135.4	-8%	45.1	52.4	-14%
Asia-Pacific	109.3	69.7	57%	26.5	36.5	-27%

Income

The gross margin for the first nine months 2005 was 76% (76).

Total costs for marketing, administration and research and development in the third quarter amounted to SEK 75.1 million (124.2). The major reason for this cost reduction was the absence of the array technology write-down of SEK 44.6 million which was taken in the third quarter 2004. Despite activities needed to support the Company's new product introductions, marketing costs in the third quarter decreased by 6% to SEK 40.4 million (42.9). Administration costs were significantly lower at SEK 9.7 million (24.5), largely due to the costs that were incurred in the third quarter 2004 as a result of the changes in senior management.

R&D costs in the third quarter as reported in the income statement amounted to SEK 25.0 million (56.8). As mentioned above, last year's R&D expenses included an array technology write-down of SEK 44.6 million. No development cost was capitalized in the third quarter 2005, whereas SEK 12.8 million, mainly pertaining to the development of Biacore®T100 and Biacore®A100, was capitalized in the third quarter 2004. Furthermore, amortization of capitalized development costs amounted to

SEK 3.7 million in the third quarter 2005 against SEK 0.7 million in the same period 2004. Excluding these items, R&D expenses in the third quarter 2005 decreased by 12% to SEK 21.3 million (24.3).

Biacore's operating income in the third quarter was SEK 23.6 million (-18.7).

Net financial items in the first nine months include an exchange rate difference of SEK -1.7 million (0).

Net income in the third quarter amounted to SEK 16.5 million (-24.5), giving earnings per share of SEK 1.69 (-2.53). For the first nine months 2005, net income amounted to SEK 141.8 million (-24.9). This net income figure was boosted significantly by the financial impact of the relocation of Biacore's Corporate Headquarters to Uppsala which resulted in a deferred tax asset and deferred income tax credit of SEK 97 million (SEK 9.91 per share) which was recorded in the second quarter. Diluted earnings per share in the first nine months 2005 were SEK 14.54 (-2.56).

Capital expenditures

During the first nine months of 2005, Biacore's capital expenditures totaled SEK 12.5 million (7.1).

Personnel

At the end of September 2005, Biacore had 278 (347) permanent employees.

BIACORE'S NEW PRODUCTS

Biacore®T100 – On Track to Become the Company's Leading System

Since its launch in February 2005, Biacore®T100 has seen its sales develop faster than initially forecast. This rapid market penetration is due to demand from both academic customers and the pharmaceutical industry. The product is well on track to become Biacore's best-selling system. As anticipated, the Company is seeing a migration in customer demand from Biacore®3000 to Biacore®T100, a trend which is expected to continue over the next twelve months.

The success of this system strengthens Biacore's business with academic and in particular industrial customers. This is due to the system's flexibility to meet a broad range of protein interaction analysis applications across the life science research spectrum from basic research through drug discovery and development to manufacturing and quality control. A key benefit for industrial customers is the system's enhanced GxP software packages which are important for work which is subject to regulatory review.

Biacore®A100 – First Sales to Industrial Customer

Over the last twelve months, Biacore has focused its marketing and business development activities for its unique array system, Biacore®A100, with key account customers including major pharmaceutical companies and academic research centers. This activity has been successful in generating a second order for this advanced system in September from one of the world's leading pharmaceutical companies. This is Biacore's first industrial sales of Biacore®A100.

The marketing that has been carried out with Biacore®A100 to customers who are at the forefront of protein analysis research has shown Biacore two key things:

- The system is one that over time will be used by customers both in academia and industry as a number of collaborations have already demonstrated the considerable benefits that Biacore®A100 can deliver.
- However, discussions with potential customers have shown that sales of this cutting edge system will take time to develop. This is partly due to certain customers having to change their research practices and approaches in order to fully capitalize on all of the benefits that Biacore®A100 can provide in terms of protein interaction analysis data.

As planned, Biacore® A100 was launched through the Company's whole salesforce at the HUPO 2005 meeting in Munich, Germany, on August 28 - September 1, at the Biacore sponsored Developments in Protein Interaction Analysis conference in the United States on August 28-31 and the SBS meeting in Geneva, Switzerland, on September 11-15.

Flexchip System – Showcased at Major Life Science Conferences

In September, Flexchip system, which was acquired from the U.S. company HTS BioSystems in March 2005, was launched to Biacore's customer base at a number of important life science conferences in both the U.S. and Europe. This launch is expected to drive the sales of this new system and to ensure that Flexchip plays an important role in Biacore's strategy to become the leading supplier of enabling tools for the life sciences. The purchase of Flexchip was designed to extend Biacore's product offering, particularly for upstream academic exploratory research.

NOMINATIONS COMMITTEE

Until the annual general meeting of shareholders in 2006, the nominations committee consists of Donald R Parfet, chairman of the board; Inger Brattne, Pfizer; Anders Hallberg, Carnegie Funds and Mats Andersson, Skandia Life Insurance.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

As from January 1, 2005, the consolidated accounts of Biacore are prepared in accordance with International Financial Reporting Standards (IFRS) from the International Accounting Standards Board (IASB). Amounts for 2004 have been restated accordingly. The following tables summarize the effects of the adoption of IFRS on the income statement and shareholders' equity relating to shareholders of the parent company.

Effects in the income statement	Prior principles	Effect of IFRS implementation	IFRS
<i>January-September 2004</i>			
Sales (SEK million)	337.2	0.2	337.4
Operating income (SEK million)	-19.4	1.1	-18.3
Operating margin	-5.8%	0.4%	-5.4%
Net income (SEK million)	-24.7	-0.2	-24.9
Earnings (loss) per share (SEK)	-2.53	-0.03	-2.56
<i>January-December 2004</i>			
Sales (SEK million)	495.8	-1.3	494.5
Operating income (SEK million)	-5.1	5.7	0.6
Operating margin	-1.0%	1.1%	0.1%
Net income (SEK million)	-4.1	3.8	-0.3
Earnings (loss) per share (SEK)	-0.42	0.39	-0.03

	Dec. 31 2003	Sept. 30 2004	Dec. 31 2004
Consolidated shareholders' equity, SEK million ¹			
Prior principles	624.6	571.7	584.8
Goodwill	-6.9	-5.0	-4.3
Financial instruments, hedge of social security costs on stock options	-7.0	-7.1	-6.7
Forward exchange contracts	1.2	0.4	3.9
Property, plant and equipment	0.6	0.9	1.0
Other	0.2	-0.9	-0.1
IFRS excluding minority interest	612.7	560.0	578.6

¹ All changes are stated net of deferred taxes.

Goodwill related to the establishment of the Japanese marketing and sales organization in 1997. Under IFRS, these costs were accounted for as purchases of certain rights and services. The reclassification of goodwill and the ensuing elimination of amortization of goodwill is the individually most significant factor in the adjustment of income for the first nine months of 2004.

The financial instruments acquired to hedge against social security expenses on stock options do not qualify for hedge accounting under IFRS. Therefore, they are reported at fair value. In prior years, the acquisition costs were amortized according to the straight-line method over their useful lives.

Previously, Biacore reported realized gains and losses on forward exchange contracts designated to hedge sales in foreign currencies as sales. Unrealized gains and losses were not reported in the income statement or balance sheet. Under IFRS, Biacore's forward exchange contracts do not qualify for hedge accounting. Therefore, they are reported at market value. Changes in market values are reported as operating foreign currency gains and losses within other income and expenses. How forward exchange contracts are recorded is the only reason for adjustment of sales in the transition from prior principles to IFRS.

Under IFRS, Biacore applies depreciation of components for its property, plant and equipment. Thus, buildings are depreciated according to the useful life of the different components. In prior years, the cost of buildings was depreciated using the straight-line method over the useful life of each building.

According to IFRS, stock options issued to employees shall be valued at fair value on the date of issue and the amount, less any payment from the employee, shall be charged to income over the vesting period. The amount is recorded as an increase in restricted reserves and as an operating expense in the income statement. Under the transition rules, stock options issued after November 7, 2002 with a vesting date of January 1, 2005 or later are expensed. Under prior principles, employee stock options issued were not charged to income.

Under IFRS, the minority interest in equity is included in shareholders' equity instead of being stated as a separate type of equity between shareholders' equity and liabilities. In the income statement, the minority interest is no longer deducted before calculating net income. Instead, net income is split by the amounts relating to the equity holders of the parent company and the minority interest.

Further disclosure on the adoption of IFRS is presented in the annual report for 2004.

QUARTERLY SALES VARIATIONS

Biacore's total sales during the period 2002-2004 were split between quarters as follows:

Quarter 1	21%	Quarter 3	24%
Quarter 2	25%	Quarter 4	30%

OUTLOOK FOR THE FULL-YEAR 2005

Biacore maintains its previous outlook for the full-year 2005: Biacore anticipates achieving an increase in sales and returning to historic levels of profitability with variations between the quarters.

Uppsala, Sweden, October 20, 2005
BIACORE INTERNATIONAL AB (publ)

Erik Walldén
President and CEO

REVIEW REPORT

We have carried out a review of this interim report in accordance with the recommendation issued by FAR (the Institute for the Accountancy Profession in Sweden). A review is significantly limited in comparison with an audit.

Nothing has come to our attention which would cause us to believe that the interim report does not meet the requirements of the (Swedish) Securities Exchange and Annual Accounts Acts.

Stockholm, October 20, 2005

PricewaterhouseCoopers AB

Sten Håkansson

Authorized Public Accountant

FINANCIAL INFORMATION

Biacore plans to release its year-end report for 2005 on February 23, 2006.

Biacore is a global supplier of analytical systems that improve the productivity of research and development in the life science and pharmaceutical markets. The company's instruments generate unique data on protein interactions, an area of increasing focus in these markets. The data give insights into protein functionality, the role of proteins in normal and diseased states, and the influence of potential drug candidates.

Use of Biacore products is well-documented in key areas such as antibody characterization, proteomics, lead optimization and bio-therapeutic development and production. Customers include world renown life science research centers, all of the leading global pharmaceutical companies and a large number of companies in the emerging biotechnology sector.

Biacore is successfully expanding into the food analysis market, providing key manufacturers with ready-to-use solutions for the determination of food quality and safety.

The company offers a range of products to meet specific customer needs. All instruments utilize Surface Plasmon Resonance (SPR) technology as the basis for detection and monitoring of protein interactions.

Biacore has its own direct sales capability in the world's key markets, United States, Europe, Japan, Australia and a distribution network in Asia-Pacific. The company was created in 1984, is based in Uppsala, Sweden, and is listed on the Stockholm Stock Exchange www.omxgroup.com/stockholmsborsen (SSE:BCOR).

This report contains certain forward-looking statements 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. Accordingly, investors and shareholders are urged not to place undue reliance on these statements.

Biacore International AB (publ)

Company registration number: 556534-5211

Head office

Biacore International AB, Rapsgatan 7, SE-754 50 Uppsala, Sweden

Phone +46 18 67 57 00

info@biacore.com

www.biacore.com

SEK million	January-September			July-September			Full year
	2005	2004	Change	2005	2004	Change	2004
Sales	375.3	337.4	11%	126.2	134.1	-6%	494.5
Cost of sales	-90.7	-81.8	11%	-25.5	-29.0	-12%	-118.9
Marketing	-116.2	-125.9	-8%	-40.4	-42.9	-6%	-180.4
Administration	-39.1	-52.4	-25%	-9.7	-24.5	-60%	-76.8
Research and development	-71.0	-92.4	-23%	-25.0	-56.8	-56%	-115.6
Other income and expenses	2.6	-3.2		-2.0	0.4		-2.2
Operating income (loss)	60.9	-18.3		23.6	-18.7		0.6
Financial items, net	-0.2	2.7		-0.2	0.5		5.0
Income (loss) after financial items	60.7	-15.6		23.4	-18.2		5.6
Income taxes	81.1	-9.3		-6.9	-6.3		-5.9
Net income (loss)	141.8	-24.9		16.5	-24.5		-0.3
Attributable to:							
Equity holders of the parent company	141.9	-25.0		16.5	-24.7		-0.3
Minority interest	-0.1	0.1		-	0.2		-
Basic earnings (loss) per share, SEK	14.55	-2.56		1.69	-2.53		-0.03
Diluted earnings (loss) per share, SEK	14.54	-2.56		1.69	-2.53		-0.03
No. of shares, average, diluted, thousands	9,761	9,758		9,781	9,750		9,750

Shareholders' equity

At beginning of period	579.4	613.4		694.1	590.8		613.4
Net income (loss)	141.8	-24.9		16.5	-24.5		-0.3
Biacore Stock Option Plan 2003	1.6	1.4		-	0.5		1.8
Market valuation of available-for-sale financial assets	-0.1	-0.1		-0.4	-		-0.2
Dividend	-29.3	-29.3		-	-		-29.3
Acquisition of minority interest	-0.8	-		-0.8	-		-
Currency translation differences	5.4	0.4		-11.4	-5.9		-6.0
At end of period	698.0	560.9		698.0	560.9		579.4

Quarterly Income Statements

SEK million	July-Sept.	April-June	Jan.-Mar.	Oct.-Dec.	July-Sept.	April-June	Jan.-Mar.
	2005	2005	2005	2004	2004	2004	2004
Sales	126.2	133.1	116.0	157.1	134.1	107.9	95.4
Cost of sales	-25.5	-35.9	-29.3	-37.1	-29.0	-28.5	-24.3
Marketing	-40.4	-34.9	-40.9	-54.5	-42.9	-45.0	-38.0
Administration	-9.7	-15.2	-14.2	-24.4	-24.5	-15.2	-12.7
Research and development	-25.0	-27.4	-18.6	-23.2	-56.8	-16.8	-18.8
Other income and expenses	-2.0	3.7	0.9	1.0	0.4	-0.6	-3.0
Operating income (loss)	23.6	23.4	13.9	18.9	-18.7	1.8	-1.4
Financial items, net	-0.2	-1.0	1.0	2.3	0.5	0.7	1.5
Income (loss) after financial items	23.4	22.4	14.9	21.2	-18.2	2.5	0.1
Income taxes	-6.9	90.9	-2.9	3.4	-6.3	-1.9	-1.1
Net income (loss)	16.5	113.3	12.0	24.6	-24.5	0.6	-1.0
Attributable to:							
Equity holders of the parent company	16.5	113.3	12.1	24.7	-24.7	0.5	-0.8
Minority interest	-	-	-0.1	-0.1	0.2	0.1	-0.2
Basic earnings (loss) per share, SEK	1.69	11.62	1.24	2.53	-2.53	0.05	-0.08
Diluted earnings (loss) per share, SEK	1.69	11.61	1.24	2.53	-2.53	0.05	-0.08
No. of shares, average, diluted, thousands	9,781	9,759	9,751	9,750	9,750	9,750	9,772

Sales by region

SEK million	Jan.-Sept.	Jan.-Sept.	July-Sept.	April-June	Jan.-Mar.	Oct.-Dec.	July-Sept.	April-June	Jan.-Mar.
	2005	2004	2005	2005	2005	2004	2004	2004	2004
Americas	141.3	132.3	54.6	45.9	40.8	51.2	45.2	39.7	47.4
Europe	124.7	135.4	45.1	47.8	31.8	51.0	52.4	47.9	35.1
Asia-Pacific	109.3	69.7	26.5	39.4	43.4	54.9	36.5	20.3	12.9
	375.3	337.4	126.2	133.1	116.0	157.1	134.1	107.9	95.4

Biacore Consolidated Balance Sheets

SEK million	September 30		Dec. 31
	2005	2004	2004
Intangible assets	67.2	54.4	64.3
Property, plant and equipment	106.6	107.2	106.0
Long-term investments	0.4	0.4	0.5
Other long-term financial assets	124.9	35.9	38.1
Other current assets	245.5	215.6	221.5
Short-term investments ¹	229.3	181.2	157.4
Cash and cash equivalents	137.7	161.0	206.5
Total assets	911.6	755.7	794.3
Shareholders' equity ²	698.0	560.9	579.4
Long-term liabilities	86.4	88.2	83.6
Short-term liabilities	127.2	106.6	131.3
Total shareholders' equity and liabilities	911.6	755.7	794.3

Financial structure

Operating capital	281.7	253.5	259.0
Long-term investments	0.4	0.4	0.5
Net interest-bearing assets	316.1	289.7	314.4
Net payable and deferred income tax asset	99.8	17.3	5.5
Shareholders' equity ²	698.0	560.9	579.4

Biacore Consolidated Statements of Cash Flows

SEK million	January-September		Full year
	2005	2004	2004
Net income (loss)	141.8	-24.9	-0.3
Less: Depreciation and amortization	37.4	24.5	32.3
Less: Write-downs, reversal of write-downs, gains and losses	-11.6	36.6	35.6
Change in working capital	-108.1	34.2	46.2
Other	2.8	-2.2	-10.3
Cash flows from operating activities	62.3	68.2	103.5
Acquisition of minority interest	-2.1	-	-
Purchase of intangible assets	-15.0	-45.4	-56.9
Purchase of property, plant and equipment	-12.5	-7.1	-10.6
Sales of property, plant & equipment	-	0.5	1.3
Purchase of short-term investments ¹	-389.8	-266.5	-366.9
Sales and maturities of short-term investments ¹	319.7	285.0	410.0
Cash flows from investing activities	-99.7	-33.5	-23.1
Repayment of loans	-2.1	-0.7	-0.9
Dividend	-29.3	-29.3	-29.3
Cash flows from financing activities	-31.4	-30.0	-30.2
Net change in cash and cash equivalents	-68.8	4.7	50.2

Key figures

Operating margin	16.2%	-5.4%	0.1%
Return on operating capital	30.0%	-9.0%	0.2%
Return on equity	29.6%	-5.7%	-0.1%
Equity ratio	77%	74%	73%
Shareholders' equity per share, diluted, SEK	71.52	57.39	59.34
No. of shares, thousands	9,750	9,750	9,750
No. of shares, end of period, diluted, thousands	9,760	9,758	9,750
No. of shares, average, diluted, thousands	9,761	9,758	9,750

¹ All short-term investments are interest-bearing.

² Of which the minority interest was 0.0, 0.9 and 0.8, respectively.