



Year-end report 1999

- Full-year sales increased by 18% to SEK 340 million after a very strong fourth quarter.
- Earnings per share up 29% to SEK 5.26 (4.07).
- Major victory for Biacore in U.S. patent dispute.
- Strategic focus on drug discovery as a major growth opportunity. Key collaboration agreements signed.
- Technology breakthrough opens new application areas.
- For the full-year 2000, a sales growth in the range of 10-15% is expected.

	January - December 1999 1998 Change			October - December 1999 1998 Change		
Sales, SEK million	340.4	288.8	+18%	137.4	100.9	+36%
Operating income, SEK million	67.6	52.8	+28%	43.0	23.2	+85%
Operating margin, %	20	18		31	23	
Income after financial items, SEK million	75.3	57.3	+31%	45.6	21.0	+117%
Earnings per share, SEK	5.26	4.07	+29%	3.07	1.51	+103%

Biacore is a global market leader in affinity-based biosensor technology with its own sales operations in the U.S., across Europe, in Japan, Australia and New Zealand. The technology is protected by a strong patent portfolio. 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 the prime area for future growth. Based in Uppsala, Sweden, the company is listed on the OM Stockholm Exchange and Nasdaq in the U.S.

Operations in 1999

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

Biacore had a very successful year in 1999. Sales increased by 18% to SEK 340.4 million (288.8). The growing appreciation of the value of Biacore's affinity-based biosensor technology resulted in strong sales growth, both for basic life science research and early drug discovery applications. The success of the new BIACORE® 3000 system was a key element of this growth. The growth rate increased significantly towards the end of the year and amounted to 36% in the fourth quarter. Full-year sales increased by 13% excluding currency effects.

Sales were divided geographically as follows:

SEK million	January – December			October – December		
	1999	1998	Change	1999	1998	Change
Americas	141.2	126.0	+12%	51.3	31.6	+62%
Europe	116.2	92.1	+26%	50.5	31.6	+60%
Asia-Pacific	83.0	70.7	+17%	35.6	37.7	-6%

Sales in the Americas, essentially the U.S., developed very strongly during the second half of the year and reached an all-time high of SEK 51.3 million in the fourth quarter. The 12% overall revenue increase achieved in 1999 is a very good result given the 45% sales increase that was recorded for the full-year 1998. European sales also set a new record in the last quarter of the year amounting to SEK 50.5 million. The full-year sales increase of 26% reflects a combination of good market growth and an increased penetration by Biacore's sales organization. Sales in Asia-Pacific developed well during 1999 with an increase of 17%. This is primarily due to Biacore establishing its own sales and marketing organization in Japan at the beginning of 1999. The decrease in the fourth quarter 1999 compared with the same period in 1998 should be seen as a reflection of the extreme accumulation of sales towards the end of 1998 rather than a weakening of sales in 1999. More than half of full-year 1998 sales in Asia-Pacific were in the fourth quarter.

Sales of BIACORE® 3000, Biacore's most sophisticated system launched in the third quarter 1998, developed strongly in 1999. The system is primarily designed to help researchers in critical areas of the early stages of the drug discovery process upstream of high throughput screening (HTS), namely target identification and assay development and validation for HTS. BIACORE® 3000 was also very well received by academic laboratories undertaking basic life science research as a result of its superior performance for advanced kinetic binding studies.

Medium-sized laboratories represent an important new expansion opportunity for Biacore in the life science research market. BIACORE® J, a system tailored to the

needs of this market, was introduced in Asia-Pacific in 1999 and will be rolled out on a global basis during 2000.

The company's gross margin was 80.5% (81.8). A better product mix and favorable currency effects were offset mainly by lower margins on inventory acquired from the previous distributor in Japan.

Total costs for marketing, administration and R&D increased by 11% during 1999. Marketing costs increased by 24%, reflecting the expansion of Biacore's sales and marketing organization, particularly in the U.S. and Japan. In Japan, the sales activities were taken over from the previous distributor at the beginning of the year. Due to lower costs than last year for the patent litigation in the U.S., administrative costs decreased by 17%. R&D expenditures, corresponding to 16% of sales, rose by 9% as a result of the increased efforts focused on developing innovative new products to drive future sales growth.

Operating income increased by 28% to SEK 67.6 million (52.8). Currency differences amounted to SEK 2.2 million (3.5) in "Other income and expenses" and SEK 1.0 million (-3.5) in "Financial items."

The tax charge was 32% (31) of income after financial items.

Net income was SEK 51.2 million (39.7), giving earnings per share of SEK 5.26 (4.07), an increase by 29%.

Investing activities and financial structure

Capital expenditures totaled SEK 22.9 million (11.2), largely due to an expansion of premises in Uppsala. The increase in operating capital during 1999 is mainly due to larger accounts receivable resulting from higher sales figures during, above all, the fourth quarter, the second partial payment (of three) for the acquisition of the Japanese sales operations, the expansion of premises in Uppsala and the strengthening of the Japanese and U.S. currencies.

The total purchase price paid by Biacore for the Japanese sales operations will be approximately SEK 18 million less than previously estimated, partly because the performance-related part of the price was renegotiable.

Personnel

At the end of 1999 the Biacore Group had 193 (168) permanent employees.

U.S. patent victory strengthens Biacore's intellectual property position

A major victory for Biacore was recorded at the end of 1999. The U.S. District Court for the District of Delaware announced its decision in the patent dispute between Biacore and Thermo BioAnalysis Corp. The Court decided in Biacore's favor, holding that Biacore's patent (U.S. patent no. 5,436,161) is valid and that the patent has been infringed. The Court further indicated that it "will grant a permanent injunction preventing Thermo BioAnalysis Corp. from infringing the

'161 patent" and has requested further briefing regarding the amount of damages to be paid by Thermo BioAnalysis Corp. for its past infringement.

This victory underlines the value of Biacore's intellectual property portfolio and in time is expected to lead to higher sales of the company's systems in the U.S. market.

Strategic focus on drug discovery – a major growth opportunity

In 1999 Biacore made the strategic decision to target the drug discovery market as the next major opportunity for its affinity based biosensor technology. This new area will add significantly to the growth that Biacore expects from its core basic life science research market.

Biacore has decided to invest in this area because it believes that its technology has the potential to significantly improve the economics of the drug discovery process. This is because the data generated from Biacore's systems make it possible for the pharmaceutical industry to take better-informed decisions on the potential success of drug candidates at an earlier stage in the drug discovery process. This will enable the industry to reduce the large sums of money that are spent currently on compounds that fail in early stage clinical trials.

The drug discovery market is a sizeable opportunity for Biacore. It is estimated that the total pharmaceutical industry R&D investment in analytical instruments and reagents will be well in excess of USD 2 billion* this year. In addition, the market is forecast to grow at over 15%* per annum, thereby providing a basis for continuing growth.

In order to fully capture this opportunity, Biacore is developing a new generation of high-performance systems that will address some of the major problems impacting the drug discovery industry, particularly bottlenecks downstream of high throughput screening (HTS). These include hit characterization, lead optimization and ADME**.

A significant part of Biacore's R&D budget has been allocated to develop these new systems, which are designed to improve the success rate of drug candidates entering clinical trials by addressing these key bottlenecks. The new systems will be more sensitive, provide higher quality data than the existing instruments and have a throughput capability matched to the growing needs of its customers. They will target a significant part of a market which is estimated to be worth in excess of USD 3* billion by the middle of this decade. The first of these new systems is planned to be launched in 2001.

Biacore took a step closer to the commercialization of the new high-performance system in December 1999 when an agreement was signed with the U.S. biotechnology company Millennium Pharmaceuticals, Inc. This deal is designed to test the new systems in real life situations, to gain experience for continued development and to make preparations for the marketing of the final products.

Biacore expects to announce a number of similar collaborations in the near future.

Biacore has also entered into an alliance with the U.S. based software company, Bioreason Inc. The advanced software and reasoning systems developed by Bioreason are now being integrated with Biacore's high quality data to predict *in vivo* drug activity from specific *in vitro* ADME assays. Designed to complement the new system, these predictive capabilities from *in vitro*-data will reduce the pharmaceutical industry's reliance on the slow and expensive methods currently used.

An agreement was made in 1999 with Boehringer Ingelheim Pharma KG to co-develop BIACORE systems with validation support for biopharmaceutical quality control applications. This collaboration has the potential of creating substantial additional business opportunities for Biacore within the pharmaceutical industry.

Technology breakthrough opens new application areas

Biacore researchers have recently made a major technology breakthrough that has led to the proof of principle of a unique SPR array chip technology. This technology is a major breakthrough for Biacore as it can increase by 1,000 fold the number of binding assays that can be analyzed per hour. This exponential increase in throughput is expected to make Biacore a major beneficiary from the so-called proteomics revolution that is currently sweeping the life science industry. Proteomics is the study of structure and function of the proteins expressed in a cell at any one time.

The completion of the sequencing of the human genome will lead to a major shift in scientific interest to the proteins that are coded by these genes. Proteins are the key molecules in mediating cell function as well as the signaling pathways that control the body's activities. Given their importance, proteins are expected to rapidly become the major focus of the pharmaceutical industry's drug discovery activities as it looks for new targets for therapeutic intervention in order to treat a number of major diseases.

Biacore's SPR array chip technology will provide the industry with a major new unique tool for exploring the function of these proteins. The order of magnitude increase in throughput provided by the SPR array chip technology will enable the pharmaceutical industry to evaluate the vast number of proteins identified from genomics as potential therapeutic targets.

The combination of the company's new high-performance systems allied to the breakthrough benefits of SPR array chip technology are expected to make Biacore a major technology supplier to the drug discovery industry in the middle of this decade.

Year 2000

The cost of Biacore's project to minimize the risks associated with the year 2000 amounted to approximately SEK 1 million and was mainly charged to income in

1999. No further expenses are expected. Biacore has not experienced any significant problem regarding the advent of the year 2000.

Dividend

The Board of Directors does not intend to propose that the Annual General Meeting decide on any distribution of earnings. Biacore's earnings will be used to finance the company's operations and future growth.

Outlook for 2000

For the full-year 2000, a sales increase in the range of 10-15% is expected. As previously, sales are expected to vary considerably between quarters and to be higher in the second half of the year than in the first.

The Annual General Meeting will be held on Thursday, May 4, 2000 at 4:30 p.m. in Uppsala.

Uppsala, Sweden, February 16, 2000

BIACORE INTERNATIONAL AB (publ)
The Board of Directors

**) Biacore's conclusions of reports from Business Communications Co. Inc. (1998), Hitech Business Decisions (1998), and market research conducted for Biacore by Scientific Generics Limited (1999).*

***) ADME stands for absorption, distribution, metabolism and excretion and represents the pharmaceutical characterization of new drug candidates.*

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 is a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

Financial information

Biacore's Annual Report will be distributed to the shareholders in mid April. During 2000 Biacore plans to release interim reports as follows:

January – March	Thursday, May 4
January – June	Monday, July 17
January – September	Friday, October 20

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More information on Biacore is available at the company's website:
www.biacore.com

Biacore Consolidated Income Statements

SEK million	January-December			October-December		
	1999	1998	Change	1999	1998	Change
Sales	340.4	288.8	18%	137.4	100.9	36%
Cost of goods sold	-66.2	-52.7	26%	-27.6	-14.3	93%
Marketing	-114.0	-91.6	24%	-36.9	-32.5	14%
Administration	-34.8	-42.0	-17%	-15.1	-18.8	-20%
Research and development	-52.9	-48.7	9%	-15.0	-14.0	7%
Other income and expenses	2.0	4.7		2.1	3.4	
Amortization of goodwill	-6.9	-5.7		-1.9	-1.5	
Operating income	67.6	52.8	28%	43.0	23.2	85%
Financial items, net	7.7	4.5		2.6	-2.2	
Income after financial items	75.3	57.3	31%	45.6	21.0	117%
Income taxes	-24.1	-17.6		-15.8	-6.3	
Net income	51.2	39.7		29.8	14.7	
Earnings per share, SEK	5.26	4.07		3.07	1.51	

Quarterly Income Statements

SEK million	Oct.-Dec.	July-Sept.	April-June	Jan.-Mar.	Oct.-Dec.	July-Sept.	April-June	Jan.-Mar.
	1999	1999	1999	1999	1998	1998	1998	1998
Sales	137.4	60.3	71.6	71.1	100.9	50.8	67.8	69.3
Cost of goods sold	-27.6	-12.3	-12.2	-14.1	-14.3	-9.8	-14.0	-14.6
Marketing	-36.9	-26.5	-27.7	-22.9	-32.5	-19.7	-19.0	-20.4
Administration	-15.1	-5.4	-6.9	-7.4	-18.8	-7.0	-7.8	-8.4
Research and development	-15.0	-13.4	-12.0	-12.5	-14.0	-9.3	-12.1	-13.3
Other income and expenses	2.1	0.7	-0.3	-0.5	3.4	1.0	-1.4	1.7
Amortization of goodwill	-1.9	-1.7	-1.7	-1.6	-1.5	-1.4	-1.3	-1.5
Operating income	43.0	1.7	10.8	12.1	23.2	4.6	12.2	12.8
Financial items, net	2.6	0.9	2.0	2.2	-2.2	1.3	3.3	2.1
Income after financial items	45.6	2.6	12.8	14.3	21.0	5.9	15.5	14.9
Income taxes	-15.8	-0.8	-4.2	-3.3	-6.3	-1.6	-5.4	-4.3
Net income	29.8	1.8	8.6	11.0	14.7	4.3	10.1	10.6
Earnings per share, SEK	3.07	0.18	0.88	1.13	1.51	0.44	1.03	1.09

Sales by region

SEK million	Jan.-Dec.	Jan.-Dec.	Oct.-Dec.	July-Sept.	April-June	Jan.-Mar.	Oct.-Dec.	July-Sept.	April-June	Jan.-Mar.
	1999	1998	1999	1999	1999	1999	1998	1998	1998	1998
Americas	141.2	126.0	51.3	27.4	37.1	25.4	31.6	20.4	41.2	32.8
Europe	116.2	92.1	50.5	23.2	17.2	25.3	31.6	25.5	18.2	16.8
Asia-Pacific	83.0	70.7	35.6	9.7	17.3	20.4	37.7	4.9	8.4	19.7
	340.4	288.8	137.4	60.3	71.6	71.1	100.9	50.8	67.8	69.3

