



Annual Report 1997

Table of contents

Highlights 1997	1
President's statement	2
Mission, objective and strategies	4
Markets	5
Products	8
Technology	12
Human resources	16
History	17
The Biacore share	18
Several-year overview	19
Administration Report	20
Consolidated Income Statements	22
Consolidated Balance Sheets	23
Consolidated Statements of Cash Flows	24
Notes to the consolidated financial statements	25
Parent Company Income Statements	38
Parent Company Balance Sheets	38
Parent Company Statements of Cash Flows	39
Notes to the Parent Company financial statements	39
Proposal for appropriation of profits	40
Auditors' report	41
Board of directors and management	42
Technical glossary	44
Financial definitions	

Financial calendar

Interim report, January–March	May 12, 1998
Interim report, January–June	August 12, 1998
Interim report, January–September	October 28, 1998
Year-end report 1998	February 1999
Annual Report 1998	April 1999

These reports can be ordered from:

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S-754 50 Uppsala, Sweden
Tel.: +46-18-67 57 09 Fax: +46-18-15 01 11

Additional company information can be found on
Biacore's Web site. Address: <http://www.biacore.com>

Annual General Meeting

The Annual General Meeting will be held on Tuesday,
May 12, 1998, at 4:30 p.m. Location: Atrium Konferens,
Dragarbrunnsgatan 46, Uppsala, Sweden.

Participation

Shareholders who wish to participate in the Meeting
must:

be registered as shareholders of record in the
register of shareholders maintained by the
Swedish Securities Register Center
(Värdepapperscentralen VPC AB) not later than
Thursday, April 30, 1998, and notify Biacore
International AB, Rapskatan 7, S-754 50 Uppsala,
Sweden, tel. +46-18-67 58 00, fax +46-18-15 01 11,
not later than 3:00 p.m. on Friday, May 8, 1998.
Proxies or representatives of shareholders should
submit their authorization papers in connection
with their application.

Shareholders whose shares are held in the name of a
trustee must temporarily re-register their shares in
their own names in order to be entitled to participate
in the Meeting. Such re-registration must be effected
with VPC not later than Thursday, April 30, 1998.
Shareholders should notify their trustees in ample time.

Dividend

In the prospectus issued in connection with Biacore
International AB's stock market listing, the Board of
directors stated that it does not expect to propose any
cash dividends in the foreseeable future. The company
will retain its earnings for use in its business and to
finance future growth. Consequently, the Board of
directors proposes that no dividend be decided for the
1997 financial year.

Highlights 1997

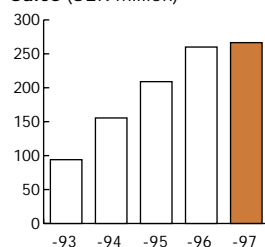


- Sales increased by 2% to SEK 266.5 million.
- Earnings per share decreased by 23% to SEK 3.20.
- Higher sales and improved operational efficiency led to significantly increased income during the fourth quarter compared with the same period in 1996.
- The global marketing organization was strengthened.
- A subsidiary was established in Japan.
- Two new instruments were launched: *BIACORE[®] probe* and *BiacoreQuant[™]*.

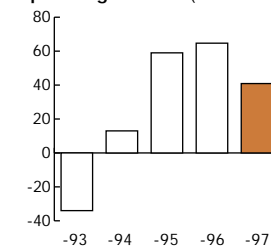
Key figures	1997	1996*
Sales, SEK million	266.5	260.4
Operating income, SEK million	40.9	64.7
Operating margin, %	15.3	24.9
Income after financial items, SEK million	47.1	62.4
Earnings per share, SEK	3.20	4.17
Proposed dividend, SEK	0	0
Return on operating capital, %	29.1	52.2
Return on equity, %	10.3	24.3
Research and development expenses, SEK million	51.5	49.5
Capital expenditures, SEK million	10.1	8.8
Average number of employees	152	141

* combined

Sales (SEK million)



Operating income (SEK million)



President's statement

1997 was Biacore's first year as an independent, listed company. During the year we introduced two new products and took a number of successful measures to improve the efficiency of operations and pave the way for continued expansion. The final quarter of the year was characterized by substantial sales growth and considerable earnings improvement.

2

The 1997 financial year

With its affinity-based biosensor technology, Biacore has a given place in the world of life science research. We were the first company ever to launch a product based on this pioneering technology in 1990. In many areas it allows analyses that previously could not be performed, while contributing in others to significant gains in time and productivity. Therefore, we believe that the need for measurements performed with Biacore's products will increase in industry as well as in academic research.

Most of our customers, however, are dependent on public funding for purchases of scientific equipment. Thus when measures are taken to reduce national budget deficits, this has a strong negative impact on Biacore. For many research institutes in Europe which applied for grants to purchase our instruments in 1997, the decision process was prolonged and approval often delayed into 1998. In consequence, sales in some countries, especially Germany, were down considerably from 1996. For Europe as a whole sales fell by 10%.

As a result of our strengthened sales infrastructure in key countries, the number of prospective customers in Europe and elsewhere increased, indicating continued good growth opportunities for Biacore in a more favorable macroeconomic climate.

An analysis of the situation in our subsidiary in the United States, Biacore Inc., early in the year showed an immediate need for improved operational efficiency. A new, interim management was put in place in February, and in May we appointed a new president.



The organization has also been strengthened with additional sales staff and technical specialists and is thereby well equipped for future growth. However, since the lead times for sales of expensive scientific equipment are very long, the effects of the measures taken were only partly felt during 1997. Although full-year sales in the Americas decreased by 4%, sales during the fourth quarter increased by 7%. This positive trend is expected to continue in 1998.

Asia-Pacific is the market that showed best development in 1997. Sales rose by 25%, partly due to the fact that we established a subsidiary in Japan during the first quarter and thus now retain a greater portion of the sales revenue from our end customers. Another contributing factor is that we appointed a manager at the beginning of the year to develop and support the distributor network in the rest of the region. The economic situation in Asia, however, creates uncertainty about the amount of grant money that will become available in 1998.

In May 1997 it was clear to us that sales for the year would not meet expectations. This was communicated to the market and a cost containment program was launched, designed to keep total expenses for the

rest of the year at the same level as during the first quarter. This program was successfully carried out.

For the full year 1997 Biacore's total sales rose by 2% to SEK 266.5 million (260.4), while sales in the fourth quarter rose by a full 18%. Operating income for the full year totaled SEK 40.9 million, corresponding to a healthy operating margin of 15%, compared with 25% a year earlier. Operating income for the fourth quarter was SEK 25.2 million, accounting for 60% of income for the year. This highlights the importance of the fourth quarter for Biacore and many other analytical instrument companies.

The market

The global market for analytical instruments is estimated to be worth approximately USD 12 billion and is expected to grow by 5–10% a year. With its specialized, advanced instruments, Biacore currently addresses only a small fraction of this major market. In terms of potential applications, however, affinity-based biosensor technology could be compared with high pressure liquid chromatography (HPLC) – a technology that was launched in the beginning of the 1970s and which had sales of roughly USD 1.7 billion in 1997.

These promising business prospects are expected to lead to a continued rise in competition. Since 1993 five companies in Europe and Japan have launched competing products which are offered at prices that are often far lower than ours. However, the limited success of these companies underscores Biacore's technological edge, which has made it possible for us to develop products with superior performance.

In our continuing efforts to widen the affinity biosensor market and maintain our position as global market leader, we considerably expanded our marketing resources in all major markets at the end of 1996 and beginning of 1997. In addition, during the fourth quarter of 1997 we appointed a new executive vice president and chief operating officer responsible for further developing and coordinating our worldwide marketing activities. As a result of these reinforcements, which are entirely in line with the strategy that was defined in connection with our stock market introduction, our marketing costs increased considerably compared with 1996. A substantial part of the increase is attributable to investments in establishing our own subsidiary in Japan.

Research and development

Regular launches of new products with improved performance are essential for success in the analytical instruments market. R&D expenditure in 1997 amounted to a full 19% of sales, which is more than double the average for the analytical instrument industry. To be able to take advantage of the wealth of interesting possibilities for new products in established as well as new application areas, we will need to continue dedicating substantial resources to R&D. With

good sales growth we expect that our R&D expenditure can eventually be stabilized at 15% of sales.

Through the acquisition of eight patents we have strengthened our already sizable patent portfolio, which we defend vigorously. Legal action for infringement of one of Biacore's patents has been taken in a U.S. court against Thermo BioAnalysis, which owns one of our competitors, Affinity Sensors.

Growth strategy

Biacore has identified four application areas for its future focus: basic life science research, drug discovery and development, biopharmaceutical process and quality control, and food and environmental analysis.

Our present core business, basic life science research, has been exploited only to a small extent to date and continues to show good growth potential. It is likely to account for most of our revenues in the years immediately ahead. We intend to increase our sales by targeting new customer groups and geographic markets. In addition, we will expand our product line with new instrument systems and explore applications that enhance the usability of the existing systems.

Within drug discovery and development, Biacore's products are today used in both early and late stages of the discovery process. Early in the process, for example, they are used to find receptors and signaling pathways involved in various diseases. In later stages, for example, they are used in lead optimization, where drug molecules are chemically modified to obtain the best therapeutic properties. In the future we also see opportunities to develop products for various drug screening applications, a rapidly expanding area in need of better analytical tools.

The manufacture of genetically engineered drugs frequently makes use of expensive production processes which can be difficult to monitor accurately in a way that ensures maximum yield. BIACORE® probe, which allows rapid measurement not only of the amount of the substance to be manufactured but – in particular – its biological activity, can play an important role in process and quality control.

Through the launch of BiacoreQuant™ and the creation of a marketing division for food analysis in early 1997, we have entered into a new growth area for Biacore. However, we do not expect these investments to have a significant impact on sales for 2–3 years. At the end of the year Biacore acquired slightly more than 10% of the shares in Diffchamb AB, a Swedish company that develops, manufactures and markets products for quality control of food. The acquisition may be seen as a concrete example of Biacore's intention to strengthen its involvement in the food analysis segment.

The common denominator for the application areas we focus on is products based on our unique technology: affinity biosensors. We intend to continue broadening and strengthening this technology through own R&D as well as continued acquisitions of patents,

new technologies and possibly small companies with unique competence. We are also open for acquisitions or alliances with companies that can broaden our business opportunities in priority application areas. Our high liquidity puts us in a favorable position to carry out such projects.

The developments in 1997 were a surprise and disappointment for us at Biacore just as they were for the shareholders. Meanwhile, the extensive business improvement measures that we have implemented have begun to bear fruit, as evidenced by the substantial rise in sales and income in the fourth quarter.

In view of our improved position in the United States, limited sales growth should be possible for the full year 1998, despite the concerns in Asia and uncertainties in parts of Europe.

Our main objective is continued growth with good profitability. The strategies for growth that we outlined in connection with the stock market introduction in 1996 are still valid, and we expect that in time they will result in high growth in both sales and income.

Finally, I would like to express my sincere thanks to the employees of Biacore for their dedicated efforts during a particularly demanding year.



Lars-Göran Andrén
President and CEO

Mission, objective and strategies in brief

Mission

Biacore shall satisfy unmet needs for advanced bioanalytical systems with superior combinations of information quality, speed and cost efficiency by developing, manufacturing and selling products based on unique technology in chosen market segments.

Objective

Biacore shall continue to grow with good profitability, primarily by further developing its world-leading position in affinity-based biosensor technology.

Strategies

Biacore intends to create sustained growth through a balanced focus on three principal strategic directions:

Greater penetration in the core business – basic life science research – primarily through:

- expansion into new geographic markets
- higher penetration of established markets
- an expanded product line targeted at a broader target group.

Entry into new business areas through a combination of organic growth and strategic alliances, primarily in:

- drug discovery and development
- biopharmaceutical process and quality control
- food and environmental analysis.

Broadening and strengthening of the technology base, including:

- further developing the affinity-based biosensor technology to provide higher performance and a wider range of application areas
- acquiring complementary technologies which enhance the competitiveness and applicability of biosensor technology
- developing new key technologies in alliance with industrial or financial collaboration partners.

Markets

With its affinity-based biosensor technology, Biacore has a world-leading position in molecular binding studies. The need for such studies is increasing with growing understanding of biological processes. Significant unmet needs create prospects for successful expansion in the future.

Biacore's main customer groups today comprise approximately 5,000 major life science laboratories in universities and biopharmaceutical industry, working to understand and exploit biological processes at the molecular level. The study of molecular binding is an essential tool in this context.

The world market is split between 60-70% academic laboratories and 30-40% industrial laboratories. Most academic laboratories are funded with public money.

Biacore's products are used for binding studies mainly in basic research. The ambition in the years immediately ahead is to satisfy unmet needs based on affinity biosensor technology in the following four areas:

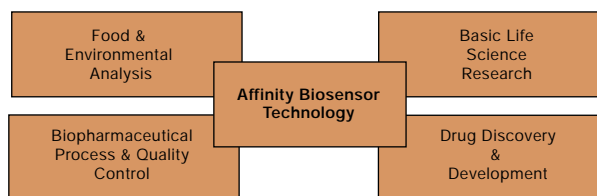
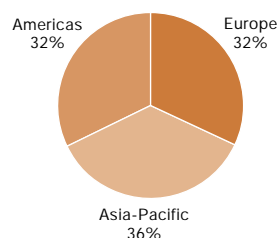
- basic life science research
- drug discovery and development
- biopharmaceutical process and quality control
- food and environmental analysis

The estimated annual market for analytical instruments in basic and applied life science research is USD 3 billion and is growing at about 10% per annum. These market segments thus provide significant business opportunities for the future.

Basic life science research

Biacore's technology provides researchers in disciplines such as biochemistry and molecular biology with tools for studying the way molecules work in areas such as cell communication, immune response, neurobiology and mechanisms of infection. Biacore's success in this field is witnessed by the growing number of scientific

Sales by region 1997



publications that cite the use of the company's products, and can be ascribed to a large extent to the ability to provide unique information about molecular processes which are difficult or impossible to study by other means. This includes information on how fast, how tightly and how specifically molecules bind to each other.

The focus of current research efforts in academic laboratories is determined largely by national research programs, which are set through interaction between political bodies, companies and scientists. One example, the "Human Genome Project," has led to the discovery of a large number of "new" proteins, which in

turn is generating an increased demand for tools that characterize molecular function. Another area where molecular binding studies are important and which is receiving increased attention from national research programs is neurobiology, encompassing socially important questions of health and development.

Drug discovery and development

One of the greatest challenges for the pharmaceutical industry today is the generation of a steady stream of innovative new drugs to fuel future sales and market share development. This is enacted in an environment of steadily increasing costs for bringing a new product to the market. Technologies for finding, selecting and optimizing leads for new drugs in sufficient quantities at reasonable cost are therefore becoming key competitive advantages.

Biacore's products have the ability to provide unique information on the properties of pharmaceutical lead compounds through their binding behavior towards, for example, their target receptors. They are therefore starting to play an increasingly important role in parts of the drug discovery process like confirmatory screening and lead optimization. Drug screening applications represent an area of high unmet needs where innovative products can generate considerable revenue.

Biopharmaceutical process and quality control

The biotechnology industry is providing an increasing amount of new drugs through recombinant DNA technology (genetic engineering). Control of production and quality of recombinant pharmaceuticals poses special problems, since their biological function depends on details of the molecular structure which may differ from their "natural" counterparts.

Biacore's products, with their ability to measure both the concentration and the biological activity of a substance, are particularly suited to monitoring the manufacturing and quality of such products.

Food and environmental analysis

Food analysis, relating to both the nutrient value and health aspects of foodstuffs, is performed in industry, in commercial service laboratories and by government authorities. Today these analyses are performed using time-consuming and expensive methods, which in some cases limits the opportunity to exercise effective control. With Biacore's technology, the analysis time is reduced by simplifying sample preparation at the same time as accuracy and sensitivity are improved.

Initially, Biacore will focus on analysis of vitamins and drug residues in foodstuffs. In the long term, analyses of pesticides, fungal toxins and other contaminants offer attractive business opportunities for Biacore. The annual market in the food analysis sector is estimated at about USD 750 million, growing at a rate close to 10% per annum.

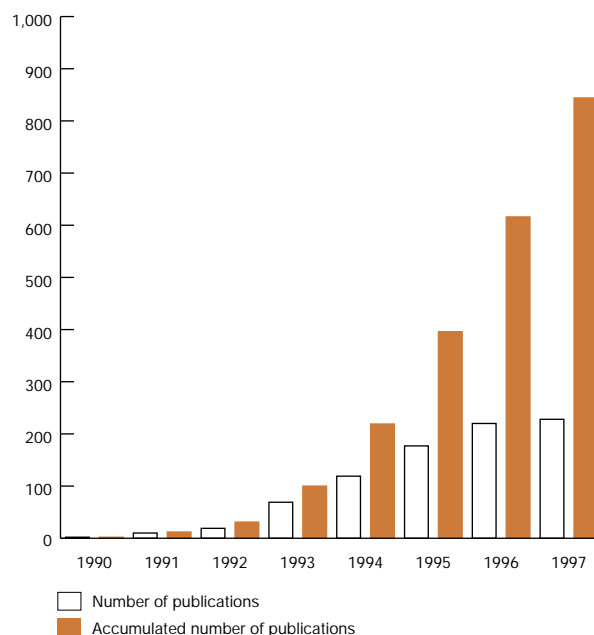
Marketing activities

Biacore markets its products in most parts of the world. The company has its own marketing organization in North America, Europe and Japan, whereas sales are handled by distributors in other parts of the world such as Australia, South Korea, China, Hong Kong, Singapore, Taiwan and Malaysia. The long-term goal is to establish a presence in all relevant markets.

For the Asian markets other than Japan, a new management function for distributor sales was established with the task of widening the network of distributors and supporting them in their work for Biacore.

At the end of 1997 a new function, Commercial Operations, was formed within Biacore, with the objective to coordinate and further develop the sales and marketing activities within the Life Science segment of the market.

Number of scientific publications citing Biacore



Biacore's global presence



The annual BIAsymposia, arranged by Biacore, present a forum for creating new customer contacts as well as supporting the scientific efforts of existing customers.

In recent years, external information has been communicated to an increasing degree via the Internet. Biacore's Web site has attracted great attention and is listed as a "special site to visit" by several parties in the Internet community.

Sales in 1997

Sales in Asia-Pacific in 1997 totaled SEK 95.2 million, an increase of 25% over 1996. The increase is partly attributable to the transfer of operations in Japan to a subsidiary, Biacore KK.

In the Americas, sales totaled SEK 86.7 million, a decrease of 4% from 1996. After appointing new management and strengthening resources at the American subsidiary, sales developed better during the second half of the year, and in the fourth quarter they exceeded the corresponding year-earlier figure by 7%.

Sales in Europe fell by 10% to SEK 84.6 million. This decrease is attributable to an unsatisfactory market situation in certain countries. Also in Europe, however, the fourth quarter entailed an improvement over previous quarters in 1997.

Competition

Competition from other manufacturers in the area of affinity-based biosensor technology is increasing with the growing demand for detailed characterization of molecular binding. The superior technical performance and quality of Biacore's products, however, enabled the company to maintain its leading position in the world market during 1997.

Products

Biacore's products compete in a specialized segment of the analytical instruments market. The product line also includes sensor chips, reagents and other consumables that are used together with the instruments, and software for controlling the instruments and evaluating results.

8

Biacore launched its first instrument in 1990, and since then its product line has been steadily updated and expanded through the introduction of more advanced systems and upgrade kits for existing systems. The current product line consists of the following systems:

- BIACORE®2000
- BIACORE®1000
- BIACORE®X
- BIACORE®probe
- BiacoreQuant™

The instruments vary in price from USD 55,000 to USD 240,000.

Most of the instruments use sensor chips and consist of a microfluidic system, an optical detection unit and a sample handling unit. All system functions, except for manual operations such as inserting the sensor chip into the unit and pre-loading the samples, are controlled by a PC. The measurements are analyzed using Biacore's own evaluation software. The molecular activity on the sensor surface is displayed on the PC screen as a "sensor-gram."

Sensor chips and other consumables

Biacore's product line also includes sensor chips, reagents and other consumables that are used together with the instruments. The most widely used chip is the CM5, a general purpose chip for use in a large number of application areas. Biacore also has sensor chips that are intended for more specific applications, as well as chips that are adapted for studies of membrane components.



■ BiacoreQuant™

BiacoreQuant™ is a new instrument, launched in 1997. It is intended for routine measurement of vitamin content in food products. The instrument is delivered with ready-to-use sensor chips and reagents for determining specific vitamins. Measurements are entirely automatic once the samples have been loaded into the instrument. The software for controlling the measurement process has been developed to provide the greatest possible reliability in routine use. Users of BiacoreQuant™ are major food producers with demands for fast and accurate determination of vitamin content. The launch of BiacoreQuant™ signifies a widening of Biacore's market from solely research to routine applications.



■ **BIACORE®1000**

BIACORE®1000 replaces BIACORE®, which was the first instrument launched by Biacore, in 1990. BIACORE®1000 is fully automated, but does not have the multichannel analysis capabilities of BIACORE®2000. Customers consist primarily of research laboratories that have a need for automation but do not require the sensitivity or flexibility offered by BIACORE®2000.

■ **BIACORE®2000**

BIACORE®2000 is Biacore's most advanced instrument. It was launched during the fourth quarter of 1994 and since 1996 it has accounted for the majority of Biacore's sales. BIACORE®2000 is fully automated and its level of sensitivity allows direct detection of small molecules and weak interactions. BIACORE®2000 permits multichannel analysis, allowing the user to simultaneously measure interactions at four separate flow cells on the sensor chip surface. Different interactants can be immobilized on these flow cells, or one or more of them may be used for control purposes. Principal customers for BIACORE®2000 are large research laboratories and pharmaceutical companies where maximum flexibility, sensitivity, data quality and/or productivity are required.



■ **BIACORE[®]probe**

BIACORE[®]probe, launched in February 1997, is used primarily for detection and measurement of biologically active molecules. The sensor consists of a fiber optic probe instead of the flat sensor surface used in other BIACORE[®] instruments, and measurements are controlled and registered by a simple program in the instrument itself instead of by a personal computer. The product's simple user interface makes it possible to establish biosensor technology in entirely new application areas. Potential customer groups for this new product can be found in process development, production control and process monitoring in the biotechnology industry.

■ BIACORE®X

BIACORE®X is a semiautomatic instrument launched in 1996 to replace its predecessor, BIAlite. BIACORE®X permits simultaneous measurements in two flow channels. The product is suitable for method development work that does not entail automated analysis of extensive sample series. Users are found primarily in laboratory environments where the technology is used alongside other established laboratory tools such as spectroscopy, fluorescence and separation methods.



Software

Biacore's instruments are controlled by proprietary software running under Microsoft Windows®. Biacore also provides additional software packages, which are included with Biacore's instruments or can be purchased separately.

BIALibrary is a CD-ROM multimedia production for entry-level training. The program uses animated sequences, graphics, illustrations and narration to cover the basic principles of Biacore's technology and experiment design.

BIAevaluation, Biacore's proprietary evaluation program, enables calculation and analysis of affinity parameters that are crucial to fundamental interaction studies. The latest version, *BIAevaluation 3.0*, which was introduced in June 1997, includes advanced mathematical tools for sophisticated analysis of sensorgrams and satisfies most needs that researchers in the area may have.

BIAsimulation facilitates experimental design by simulating the progress of an interaction. The program allows users to simulate and test interaction studies in a fast, effective manner without consuming sample material.

Technology

The affinity-based biosensor technology pioneered by Biacore has led to a significant increase in knowledge about the function of molecules in biological systems. This knowledge is of fundamental importance in life science research. The ability of affinity biosensors to detect and quantify molecular interactions has made valuable contributions in pharmaceutical research, protein engineering and molecular biology, among other areas.

All biological processes take place through molecular interactions – for example, a molecule binds to a receptor on a cell surface and initiates a change in the activity of the cell. Binding of other molecules might change the course of the process or prevent it from starting altogether.

Biacore's affinity biosensor technology measures how two or more molecules bind to each other by immobilizing one of the molecules, the interactant, on the surface of a sensor chip. When a solution containing the other molecule, the analyte, is passed over the surface, the instrument can register how the two molecules bind to each other. The choice of interactant determines what kind of binding event can be studied.

With Biacore's technology, the analyte molecules do not need to be labeled with, for example, a radioisotope or fluorescent tag, as is the case with other techniques. This allows molecules to be studied in an unmodified form, eliminating any effect on the properties that might be introduced by the tag. Another advantage of the technology is that measurements can be made even on colored or opaque samples such as blood or milk without loss of sensitivity or accuracy.

BIACORE®probe, which was launched in 1997, exploits fiber-optic technology, making it possible to perform measurements at a distance from the instrument and in environments where advanced analytical instruments normally cannot be used.

What the technology can measure

Biacore's technology detects and quantifies molecular binding events and interprets the results with the help of proprietary computer software.

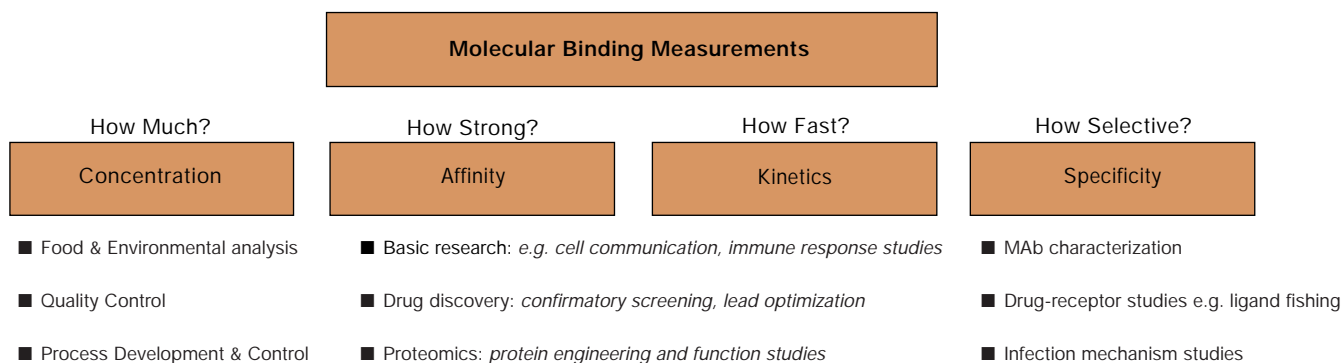
Examples of biomolecules often studied with the help of the technology are proteins, DNA, carbohydrates, pharmaceutical substances, vitamins and antibiotics. Interactions involving larger particles such as viruses, bacteria and whole cells can also be followed. The measurements provide information about several parameters which describe how the molecules interact.

The technology can measure:

- How fast molecules bind to each other and how fast they break apart (*kinetics*)
- How strongly molecules bind to each other (*affinity*)
- How specifically they bind to each other (*specificity*)
- How many molecules can bind in a given sample (*concentration*)

Kinetics. "Kinetics" refers to the rates at which interacting molecules bind to each other and break apart. This is a fundamental property which is critical to the understanding of the function of biomolecules as well as, for example, the design of new pharmaceuticals.

Affinity. "Affinity" refers to the strength with which molecules bind to each other. The affinity of a biomol-



Biacore provides a wealth of information about molecular binding – all in a single instrument.

Molecular interaction provides essential information for the characterization of recombinant proteins used as therapeutic agents or biochemical reagents.

Specificity. By directly observing binding events, researchers can use Biacore's technology to investigate the specificity of binding, i.e., the propensity of a molecule to bind to certain molecules to the exclusion of others. This information is directly relevant to questions such as the mechanisms of the immune response in allergy and cellular defense mechanisms.

Concentration. The number of molecules that bind to a sensor surface is dependent on the concentration of analyte in the sample. For example, with an antibody attached to the surface, the concentration of a specific antigen such as a vitamin or drug residue can be determined.

Application areas of the technology

Major advances have been achieved in recent years in the areas of biomolecular analysis and manipulation. The growing knowledge about biomolecular structures, function and interactions has led to a greater demand for analytical instruments and methods that enable more detailed analysis.

Knowledge of the coding sequence of genes allows the structure of the proteins for which they code to be deduced. The emerging field of proteomics refers to characterization of the function of these molecules, and represents the next step in describing and under-

standing life processes. Biacore's technology will play an important role in the rapidly growing field of functional characterization of proteins, nucleic acids and other biomolecules.

To date, Biacore's instruments have been used primarily in basic life science research. However, the potential for using the technology in applied research and routine commercial applications has been demonstrated, and Biacore aims to grow by developing products for use in these areas.

Basic life science research. Biacore's technology can be used to obtain information relevant to important questions in life science research. To quote just one example, scientists at the Walter Reed Army Institute of Research in Washington, D.C., USA, have used Biacore instruments to characterize structural variants of HIV by studying the ability of serum from HIV-positive individuals to bind to synthetic analogues of molecules derived from the virus. The same researchers also found that Biacore's technology was the only satisfactory way to study antibody recognition of certain HIV-derived molecules.

Applied life science research and development. In drug discovery, the aim is to either find or design new compounds that can be used as therapeutic agents. Such compounds can be found by screening natural products or libraries of small organic molecules or recombinant proteins. By contributing information about the interaction between various drug candidates

and their target molecules, Biacore's technology can improve the processes for identification, selection and optimization of lead compounds, enhancing productivity and cost effectiveness in pharmaceutical research.

Biacore's technology is also used by companies engaged in producing monoclonal antibodies, which are widely used as biochemical reagents for research and diagnostic purposes. Since the technology can provide extensive characterization through a simple test of the culture in which the antibodies are produced, users have reported significant reductions in the time required for their work.

Production of biomolecules, such as biochemical reagents or pharmaceuticals through DNA technology, represents a growing sector of applied life science research. Recombinant molecules frequently differ in structural detail from their natural counterparts, with significant consequences for the function of the molecule. Biacore's technology makes it possible to measure both the function and concentration of biologically active molecules. This is a valuable contribution to characterization of recombinant products during both development and production.

Routine analysis. Biacore's technology permits concentration measurement in complex mixtures for the detection and quantification of specific substances such as nutrients, additives, antibiotics, pesticides and drug residues in food and environmental contexts.

Biacore's first product for food analysis, BiacoreQuant™, was launched during the year. BiacoreQuant™ enables simple, rapid analysis of the vitamins biotin and folic acid with minimal sample preparation. This improves both the reliability and cost effectiveness of the measurements compared with previously available methods. Traditional methods require 2-3 days for test results, whereas BiacoreQuant™ delivers results within 12 hours.

Research and development

One of Biacore's strategies for achieving sustained profitable growth is to invest over the long term

roughly 15% of sales in research and development. This will enable both extension of the product line for basic life science research and development of products for new application areas. From a high R&D expenditure in relation to sales during the start-up period, the figure has fallen to 19% in 1997 as the volume of sales has developed.

The ability to develop complete systems with advanced performance and to widen the products' application areas is a key competitive factor for Biacore. This requires internal competence in a number of areas, including optics, surface chemistry, sensor chip treatment technologies, micromechanics, polymer technology, physics, biochemistry and computer programming.

Manufacturing

Assembly, testing and quality control of complete instruments are carried out on Biacore's premises in Uppsala. Key components such as sensor surfaces, microfluidic systems and optical detection units are manufactured in-house. Other components or sub-assemblies are mainly outsourced.

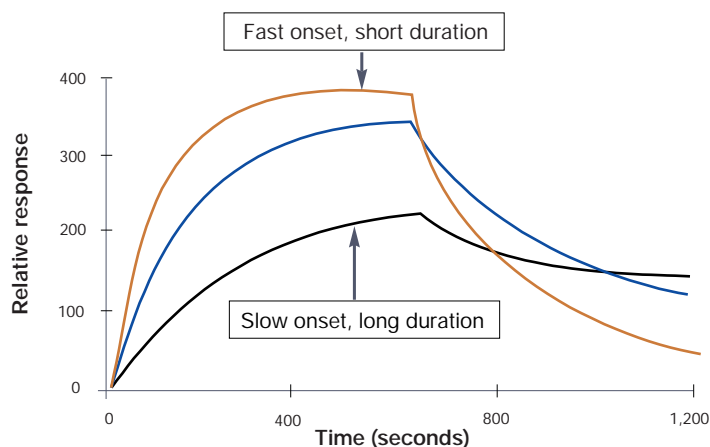
Intellectual property

Biacore actively seeks to protect its intellectual property by patenting innovative developments.

Today Biacore has over 40 patents pending or granted pertaining to key technologies, including:

- the optical sensor system
- the sensor surface that enables selective molecular interactions
- the surface plasmon resonance-based measurement unit
- the optical component that is used to couple light from the measurement unit to the sensor surface
- the microfluidic system
- fiber-optic SPR detection.

Biacore's technology provides unique information and enhanced productivity through the following features:



Real time measurement

provides unique information about the binding properties and biological function of molecules, such as pharmaceuticals. The properties required of a drug molecule depend on its intended application. An analgesic, for example, intended for acute use, needs a fast onset of action with short duration. For chronic use a slow onset with long duration is more suitable. The chart shows how the patterns of binding of different drug molecules to their receptors can provide such information. Only real time kinetic measurements with affinity biosensor technology can provide this information directly.

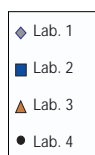
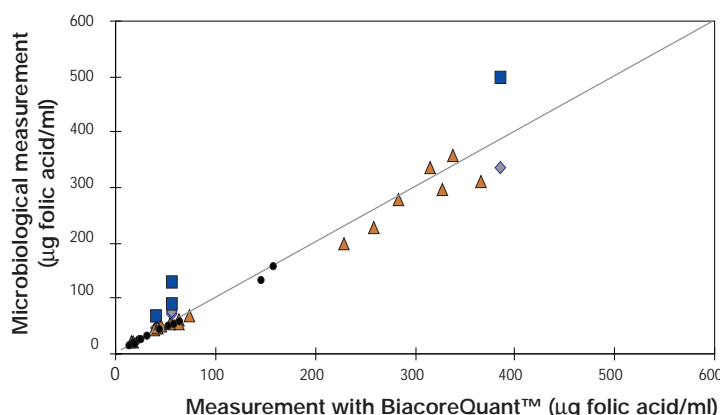
Characterization of antibodies as diagnostic reagent

	Time	
	Biacore	Conventional method
Subclass	Day 1	One day
Affinity	Day 1&2	Weeks + labeling
Epitope map	Overnight	Weeks + labeling
Assay	Day 2	Days - Weeks
Total time	2 days	Several weeks

Source: Dr. B. Johne, Nycomed AS, Oslo, Norway

Label-free measurement

allows measurement of binding properties without having to modify the molecules, e.g. by labeling them with a radioisotope or fluorescent tag. As a result, their biological function is unaffected and a dramatic reduction in time and work load is achieved. Characterizing biological substances, such as monoclonal antibodies, takes weeks or months using conventional methods. With Biacore's instruments, the same results can be achieved in only a couple of days.



Time required to measure 40 samples

Microbiological measurement	3-5 days
BiacoreQuant™	1 day

Contact-free measurement

means that the light beam supplying the energy for the measurement does not penetrate the sample. As a result, opaque or colored samples can be analyzed without loss of sensitivity or precision. This often simplifies sample preparation considerably. With BiacoreQuant™, the content of certain vitamins in food products can be measured with major savings in time and work, undiminished sensitivity and greater precision. The chart compares folic acid determination with a conventional microbiological method and BiacoreQuant™ measurement at four independent laboratories.

Human resources

Highly educated, competent employees are one of Biacore's most important competitive assets. The number of employees increased by nine in 1997 (6%). Most of the new employees were recruited in the marketing organization.



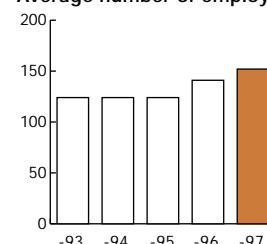
One of Biacore's key competitive advantages is its ability to offer scientists and business professionals challenging personal development opportunities in a growing global organization. The company's future development is strongly dependent on its ability to attract and retain competent employees in strategic areas.

In line with the intentions expressed in connection with the stock market introduction in 1996, staff resources were strengthened around year-end 1996. During the first two quarters of 1997 the number of employees increased substantially. Due to the unsatisfactory sales development, which was communicated to the market on May 29, 1997, a hiring freeze was implemented and the work force was reduced during the rest of the year by 15 persons.

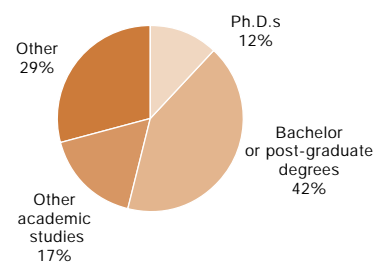
At December 31, 1997, Biacore had 157 permanent employees. This represents a net increase of nine persons (6%) during 1997. Most of these employees were recruited in the marketing organization. Among other measures, a new Commercial Operations unit was established to coordinate and further develop the company's global marketing and sales organizations.

Of Biacore's employees, 129 were stationed in Europe, 27 in North America, and 1 in Asia-Pacific.

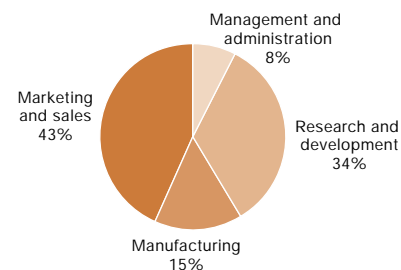
Average number of employees



Educational level, December 31, 1997



Employees per function, December 31, 1997



History



Biacore began operating in 1984 when know-how and expertise from the former Pharmacia, the Linköping Institute of Technology, and the Swedish National Defense Research Institute (FOA), were brought together with Biacore's predecessor, Pharmacia Biosensor AB. Approximately SEK 550 million has been invested in the development of Biacore and the technology on which it is based.

An initial research phase which essentially included development of the fundamental affinity-based biosensor technology comprising surface chemistry, flow systems and optical detection methods was completed in 1989. Thereafter, development of the first commercial product began. The result was BIACORE®, the world's first biosensor-based analytical instrument for studying molecular interactions. BIACORE® was launched in the fall of 1990.

In 1992 the Board of Directors appointed the current chief executive to make the business profitable and develop a new growth strategy.

A significant restructuring was undertaken to focus the business and improve its market orientation. This was achieved by concentrating commercial as well as product development activities to the markets for basic and applied life science research. As a result of this effort, during the course of the next three years the business evolved into a largely independent commercial

enterprise which was able to show a profit in 1994 for the first time. By 1995, as a result of its commercial success, Biacore was able to begin developing and executing strategies for enhanced expansion based on selective acquisitions in addition to organic growth.

In 1995 Biacore acquired a controlling interest in EBI Sensors Inc., and in 1996 it acquired the remaining interest. This acquisition gave Biacore access to fiber optic sensor technology developed by the University of Washington (USA) and of which EBI is the exclusive worldwide licensee. This technology complements Biacore's own.

In 1996 Pharmacia & Upjohn decided to pursue a stock market introduction of Pharmacia Biosensor AB, then a wholly owned subsidiary. Following a name change, Biacore International AB was listed on Nasdaq in the United States on November 27, 1996, and on the Stockholm Stock Exchange's O-list on December 3, 1996.

The Biacore share

Biacore's shares are listed on Nasdaq National Market in the United States (symbol: BCORY) and on the O-list of the Stockholm Stock Exchange.

Share price

The price of Biacore's shares was strongly impacted by the earnings warning that was issued on May 29, 1997, and which was caused by difficult market conditions. The top quotation in 1997 was SEK 148.50 and the lowest quotation was SEK 65.50. The share price on December 30, 1997, was SEK 68.

Trading volume

Biacore's shares have been traded on every day of trading on the Stockholm Stock Exchange in 1997, with an average of 39,700 shares per day. A round lot consists of 100 shares. On Nasdaq the daily trading average was 8,500 shares.

Market capitalization

At year-end 1997 Biacore's total market capitalization was SEK 663 million.

Shareholders

There were 6,019 shareholders at year-end 1997. Institutional shareholders accounted for approximately 72% of the total number of shares, while roughly 28% of the shares were owned by individuals or privately held companies. About 14% of the shares and ADSs were owned by non-Swedish investors. Pharmacia & Upjohn is considered as a Swedish company in this context.

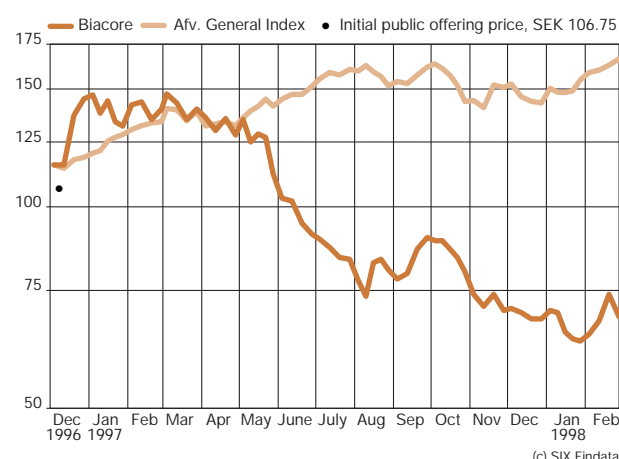
Share capital

Biacore's share capital at year-end 1997 amounted to SEK 97.5 million. There are 9,750,000 shares. Each share has a par value of SEK 10. All shares have equal voting power and carry entitlement to an equal share of the company's assets and earnings.

Dividend

In the introduction prospectus issued in connection with Biacore International AB's stock market introduction, the Board of directors stated that it does not expect to propose payment of any dividends in the foreseeable future. The company will retain its earnings for use in its business and to finance future growth. Consequently, the Board of directors proposes that no dividend be decided on for the 1997 financial year.

Share price, December 1996 – February 1998



The largest shareholders

Shareholder	Number of shares	% of share capital and votes
Pharmacia & Upjohn	4,000,000	41.0
Morgan Guaranty Trust*	560,605	5.7
Skandia	393,000	4.0
SHB's equity funds	373,700	3.8
Dtt Germany	198,850	2.0
Euroclear	170,000	1.7
Trygg-Hansa Försäkring	148,744	1.5
Apoteksbolaget's pension foundation	130,000	1.3
AMF TFA Försäkring AB	120,500	1.2
SPP	114,250	1.2
Subtotal	6,209,649	63.7
Others	3,540,351	36.3
Total	9,750,000	100.0

* Trustee

Several-year overview

Financial definitions are provided on the inside back cover. Figures for the periods before December 31, 1996 refer to combined financial statements. Amounts are in thousands of Swedish kronor, unless stated otherwise.

	1997	1996	1995	1994	1993	1992
Income statement						
Sales	266,523	260,352	209,012	155,496	94,004	52,708
Cost of goods sold	-49,815	-62,121	-50,216	-48,455	-34,022	-30,603
Marketing	-89,963	-54,039	-39,464	-35,021	-31,126	-38,844
Administration	-28,016	-30,978	-12,855	-18,543	-15,640	-19,719
Research and development	-51,512	-49,455	-49,429	-41,346	-51,480	-53,515
Other income	1,406	1,711	2,291	1,066	4,102	5,940
Other expenses	-1,815	-734	-	-41	-13	-
Amortization of goodwill	-5,945	-	-	-	-	-
Operating income	40,863	64,736	59,339	13,156	-34,175	-84,033
<i>Interest income</i>	<i>7,080</i>	<i>1,843</i>	<i>99</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Interest expense</i>	<i>-1,790</i>	<i>-4,136</i>	<i>-7,093</i>	<i>-8,254</i>	<i>-6,034</i>	<i>-5,757</i>
<i>Foreign currency gains</i>	<i>1,371</i>	<i>-</i>	<i>-</i>	<i>24</i>	<i>-</i>	<i>-</i>
<i>Other financial income and expenses</i>	<i>-466</i>	<i>-63</i>	<i>-148</i>	<i>-</i>	<i>-928</i>	<i>-</i>
Financial items, net	6,195	-2,356	-7,142	-8,230	-6,962	-5,757
Income after financial items	47,058	62,380	52,197	4,926	-41,137	-89,790
Income taxes	-15,825	-21,725	-16,141	-3,615	-725	3,840
Net income	31,233	40,655	36,056	1,311	-41,862	-85,950
Sales by region						
Americas	86,757	90,593	56,067	72,133	43,113	24,594
Europe	84,569	93,483	83,192	52,332	37,869	27,212
Asia-Pacific	95,197	76,276	69,753	31,031	13,022	902
Total sales	266,523	260,352	209,012	155,496	94,004	52,708
Financial structure						
Operating capital	154,603	126,728	121,064	102,212	102,711	77,530
Shares	9,750	-	-	-	-	-
Net interest-bearing assets	165,822	174,648	-54,943	-88,211	-84,117	-64,762
Net payable and deferred income tax liability	-11,658	-16,193	-16,698	-3,671	-5,873	-2,865
Shareholders' equity	318,517	285,183	49,423	10,330	12,721	9,903
Profitability, etc.						
Operating margin, %	15.3	24.9	28.4	8.5	Neg.	Neg.
Return on operating capital, %	29.1	52.2	53.2	12.8	Neg.	Neg.
Return on equity, %	10.3	24.3	120.7	11.4	Neg.	Neg.
Interest coverage, times	21.9	15.9	8.2	1.6	Neg.	Neg.
Equity ratio, %	73.5	67.1	27.7	7.4	9.3	8.4
Capital expenditures	10,054	8,817	3,233	1,791	2,465	1,201
Average number of employees	152	141	124	124	124	108
Share information						
Earnings per share, SEK	3.20	4.17	3.70	0.13	Neg.	Neg.
Shareholders' equity per share, SEK	32.67	29.25				
Share price, December 31, SEK	68.00	153.00				
P/E ratio	21.2	36.7				
Price/shareholders' equity, times	2.08	5.23				
Dividend, SEK (proposed by Board of Directors)	0	0				
Yield, %	0	0				
Market capitalization, SEK million	663	1,492				
Number of shareholders, December 31	6,019	3,572				

Administration report

The income statement for the preceding year is based on combined financial statements. Figures for the preceding year are indicated in parentheses.

Company reg. no. 556534-5211

Operations

Biacore International AB is the parent company of the Biacore Group ("Biacore"). Biacore develops, manufactures and markets analytical instruments that employ affinity-based biosensor technology. This technology utilizes the phenomenon of surface plasmon resonance and is used for determining the concentration and function of biomolecules. The technology has been developed by Biacore, and Biacore has a global market share of approximately 90%. The instruments are sold chiefly to researchers within the life sciences active in industry, universities and research institutes.

Product development and manufacturing are carried out primarily in Uppsala, Sweden. Sales branches are located in France, Germany and the United Kingdom. In the United States sales are made through Biacore's own sales subsidiary, while research is conducted by the subsidiary EBI Sensors. In Japan, sales are made through a subsidiary, which during the years 1997 to 1999, according to an agreement signed in March 1997, shall acquire the sales operation from the current distributor, Amersham Pharmacia Biotech. Marketing is conducted essentially worldwide, to date with an emphasis on countries with advanced biological research and a developed industrial structure.

Biacore is listed on the O-list of the Stockholm Stock Exchange and Nasdaq National Market in the United States.

Important business events

In February, the BIACORE[®]probe instrument was launched. This is the first product based on a new, patented fiber optic technology, acquired with EBI Sensors Inc. in 1995. BIACORE[®]probe has provided Biacore with new markets in e.g. manufacturing and process development within the pharmaceutical and biotechnology industries.

In March, Biacore established the subsidiary Biacore KK in Japan. An agreement was signed with Pharmacia Biotech, later renamed Amersham Pharmacia Biotech, regarding the above mentioned acquisition of its sales operation for Biacore products. The purchase price is dependent on future sales levels, and is paid over three years. Of the total purchase price, SEK 30 million has been paid. The estimated remaining purchase price has

been recorded as a provision. Total goodwill from the acquisition is estimated at approximately SEK 58 million.

In April, exclusive licenses under eight patents in the field of surface plasmon resonance were acquired from Amersham International. Through an option agreement, the actual patents were subsequently acquired. Biacore previously held non-exclusive licenses under seven of the patents. The agreement has further strengthened Biacore's position with respect to analytical instrumentation based on surface plasmon resonance. The patents cover design of optical detection systems and their applications.

In May, Biacore filed a complaint for willful infringement of U.S. patent No. 5,436,161 against Thermo Bioanalysis Corp. in the U.S. District Court for the District of Delaware. Biacore's complaint is directed to Thermo Bioanalysis's infringement of Biacore's patent on the U.S. market by the manufacture and sale of the IAsys and IAsys Auto+ biosensor systems, products manufactured and sold through its division Affinity Sensors.

In June, BiacoreQuant[™] was launched, Biacore's first instrument dedicated to food analysis.

In December, Biacore acquired 10.6% of the shares in Diffchamb, a Swedish company which develops, manufactures and markets test kits and other products, primarily for analysis of food poisoning bacteria. Diffchamb had 24 employees and SEK 30 million in sales in 1996.

Sales

Consolidated sales increased by 2.4% to SEK 266.5 million (260.4). Exchange rate effects increased sales by approximately 3%.

In the Americas sales declined by 4.2% to SEK 86.7 million (90.6). A positive trend was noted during the second half of the year, following the appointment of new management. During the fourth quarter, sales increased 7.0% compared with the same period in 1996.

In Europe sales declined by 9.5% to SEK 84.6 million (93.5). This reduction is primarily considered to be an effect of budget cuts and changes in the funding pattern of grants to universities in the important German market.

Sales in Asia-Pacific have been favorable with an increase of 24.8% to SEK 95.2 million (76.3). Some of the increase was caused by the establishment of a subsidiary in Japan. Sales were particularly strong in the fourth quarter.

Income

Operating income totaled SEK 40.9 million (64.7). In 1997, operating income has been affected by lower sales than expected in the Americas and Europe, in combination with higher expenses from the establishment of a subsidiary in Japan and an increase in resources for more intensive marketing in Europe and North America.

As a result of the sales development, a cost containment program was carried out with effect as from the second quarter of 1997. The objective of the program was to keep expenses at the same level as during the first quarter of 1997. This objective was reached for the full year 1997 and surpassed during the second and third quarters. During the fourth quarter the expenses exceeded the cost containment program, much due to expenses for legal matters.

Net financial items improved to SEK 6.2 million (-2.3), mainly as a result of new capital issues in connection to the stock market listing of Biacore. Income after financial items totaled SEK 47.1 million (62.4) and net income SEK 31.2 million (40.7).

Investing activities

Capital expenditures during the year totaled SEK 10.1 million (8.8) and pertained to machinery and equipment in continuing operations. SEK 30.2 million was paid for the acquisition of the Japanese sales operation. A further SEK 27.3 million has been included in the acquisition value and recorded as a liability regarding the estimated remaining purchase price. Investments in other intangible assets amounted to SEK 5.7 million (-).

Financing

Liquid funds amounted to SEK 182.8 million (240.7), net interest-bearing assets totaled SEK 165.8 million (174.7) and the equity ratio was 74% (67). Liquid funds have been strengthened by cash flow from operations, and reduced by a partial payment for the Japanese sales operation and the repayment of a liability to Pharmacia & Upjohn for an acquisition in 1996 of a property in Uppsala.

Personnel

In February, a new business area for food analysis was formed, with Bengt Sahlin as marketing manager. In March, a new office with Clive Seymour as manager was formed for coordinating Asian sales through distributors outside Japan. During the first half-year, a new president, Thomas P. Wida, was appointed in the U.S. sales

company, Biacore Inc. In July, Lars-Olov Forslund succeeded Mats Lönnqvist as Executive Vice President and Chief Financial Officer. In October, Claes Blanche was appointed Executive Vice President, Chief Operating Officer and head of Biacore's global marketing and sales organization in the Biacore core business of life science research products. In February 1998, Ulf Jönsson was appointed Executive Vice President and new head of Technical Operations after Jan Fineman, who left Biacore in November 1997.

The average number of employees amounted to 152 (141). The increase occurred in the first half-year of 1997. Further information is provided in Note 19 to the consolidated financial statements.

Parent company

The parent company Biacore International AB handles central functions and provides certain inter-company services, but has no other business of its own. There were no purchases from other group entities. Income after financial items was SEK 5.2 million (0.5) and net income SEK 3.3 million (0.2). No significant capital expenditure occurred. 261,816 shares in Diffchamb were acquired at a total price of SEK 9.7 million. The average number of employees amounted to 2, with an equal distribution between the sexes.

Consolidated Income Statements

SEK 000s	1997	Combined 1996	Combined 1995
Sales	266,523	260,352	209,012
Cost of goods sold	-49,815	-62,121	-50,216
Gross profit	216,708	198,231	158,796
Sales and marketing expenses	-89,963	-54,039	-39,464
Administrative expenses	-28,016	-30,978	-12,855
Research and development expenses	-51,512	-49,455	-49,429
Other income	1,406	1,711	2,291
Other expenses	-1,815	-734	-
Amortization of goodwill	-5,945	-	-
Operating income	40,863	64,736	59,339
<i>Interest income</i>	<i>7,080</i>	<i>1,843</i>	<i>99</i>
<i>Interest expense</i>	<i>Note 3</i> <i>-1,790</i>	<i>-4,136</i>	<i>-7,093</i>
<i>Foreign currency gains</i>	<i>1,371</i>	<i>-</i>	<i>-</i>
<i>Other financial income and expenses</i>	<i>-466</i>	<i>-63</i>	<i>-148</i>
Financial items, net	6,195	-2,356	-7,142
Income after financial items	47,058	62,380	52,197
Income taxes	<i>Note 4</i> -15,825	-21,725	-16,141
Net income	31,233	40,655	36,056

Consolidated Balance Sheets

SEK 000s, December 31		1997	1996	Combined 1995
ASSETS				
Long-term assets				
Goodwill		51,363	–	–
Other intangible assets		5,308	–	–
Intangible assets	Note 5	56,671	–	–
Buildings		48,320	49,374	51,648
Land and land improvements		10,446	10,503	10,560
Machinery and equipment		14,346	12,445	10,947
Property, plant and equipment	Note 6	73,112	72,322	73,155
Shares	Note 7	9,750	–	–
Long-term receivables	Note 8	2,817	1,204	286
Long-term financial assets		12,567	1,204	286
Total long-term assets		142,350	73,526	73,441
Current assets				
Inventories	Note 9	15,880	10,663	10,512
Accounts receivable	Note 10	84,449	72,797	70,783
Other receivables	Note 11	7,884	27,618	15,751
Receivables		92,333	100,415	86,534
Marketable securities	Note 12	155,132	206,673	–
Cash and bank		27,636	34,010	8,083
Total current assets		290,981	351,761	105,129
Total assets		433,331	425,287	178,570
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	Note 13	318,517	285,183	49,423
Provisions				
Provision for pensions	Note 14	16,371	13,963	11,380
Provision for long-term deferred taxes		13,425	10,227	5,850
Provision for short-term deferred taxes		–	1,399	899
Other provisions	Note 15	28,398	1,634	2,100
Total provisions		58,194	27,223	20,229
Long-term liabilities				
Due to Pharmacia & Upjohn		–	–	45,127
Total long-term liabilities		–	–	45,127
Current liabilities				
Accounts payable		19,985	23,594	20,664
Due to Pharmacia & Upjohn		–	52,072	–
Other financial liabilities		575	–	6,519
Income taxes payable		3,560	7,882	11,493
Other liabilities	Note 16	32,500	29,333	25,115
Total current liabilities		56,620	112,881	63,791
Total shareholders' equity and liabilities		433,331	425,287	178,570
Pledged assets and contingent liabilities				
Pledged assets		None	None	None
Contingent liabilities	Note 17	314	None	None

Consolidated Statements of Cash Flows

SEK 000s	1997	Combined 1996	Combined 1995
Cash flows from operating activities			
Net income	31,233	40,655	36,056
Less: depreciation and amortization	13,800	7,273	7,613
Less: acquired research and development	–	1,653	2,706
Decrease (increase) in long-term deferred tax assets	-1,589	-653	199
Decrease (increase) in long-term receivables	-24	-252	–
Decrease (increase) in inventories	-5,217	-211	-447
Decrease (increase) in accounts receivable	-11,652	-2,014	-20,040
Decrease (increase) in income tax receivables	-1,732	–	–
Decrease (increase) in current deferred tax assets	1,309	-1,118	-701
Decrease (increase) in other receivables	20,157	-10,749	-11,671
Increase (decrease) in provision for pensions	2,408	2,583	2,139
Increase (decrease) in provision for long-term deferred taxes	3,198	4,377	3,613
Increase (decrease) in provision for short-term deferred taxes	-1,399	500	82
Increase (decrease) in other provisions	-584	-466	200
Increase (decrease) in accounts payable	-3,609	2,930	9,395
Increase (decrease) in income taxes payable	-4,322	-3,611	9,834
Increase (decrease) in other liabilities	3,167	4,218	1,495
Other	1,263	-636	491
Net cash provided by (used in) operating activities	46,407	44,479	40,964
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	-30,191	-1,653	-2,555
Purchase of other intangible assets	-5,701	–	–
Purchase of fixed assets	-10,054	-8,817	-3,233
Proceeds from sale of fixed assets	2,871	2,846	990
Purchase of shares	-9,750	–	–
Net cash provided by (used in) investing activities	-52,825	-7,624	-4,798
Cash flows from financing activities			
Net payments on due to Pharmacia & Upjohn	-52,072	-6,282	-19,460
Change in other financial liabilities	575	-6,519	1,946
Proceeds from issuance of shares	–	241,725	–
Dividend paid	–	-33,179	–
Group contribution paid	–	–	-10,569
Net cash provided by (used in) financing activities	-51,497	195,745	-28,083
Net increase (decrease) in liquid funds	-57,915	232,600	8,083
Liquid funds at beginning of year	240,683	8,083	0
Liquid funds at end of year	182,768	240,683	8,083

Notes to the consolidated financial statements

Amounts are in thousands of Swedish kronor, unless stated otherwise.

Note 1 Accounting policies

Basis of presentation

References to “Biacore” in these notes to the financial statements pertain to Biacore International AB, its subsidiaries, and their combined operations and assets in accordance with the description in the 1996 annual report, unless specifically indicated otherwise. Biacore develops, manufactures and markets advanced scientific instruments that employ affinity-based biosensor technology to measure interactions between biomolecules in scientific research laboratories and in the pharmaceutical, diagnostics, biotechnology, and food and beverage industries.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Sweden (“Swedish GAAP”). These accounting principles differ in certain significant respects from accounting principles generally accepted in the United States (“U.S. GAAP”). See Note 21 for a reconciliation of the principal differences between Swedish GAAP and U.S. GAAP affecting Biacore’s net income and shareholders’ equity.

Changes in accounting principles and classification

Effective 1997, Biacore has adopted the new Swedish Annual Accounts Act, which is new legislation adapting the presentation of financial information to reflect rules applied within the European Union. Certain significant changes to the financial statement presentation have been as follows: depreciation and amortization are allocated to cost of goods sold, sales and marketing expenses, administrative expenses, and research and development expenses, instead of being stated separately as depreciation and amortization, with the exception of amortization of goodwill, which is disclosed separately in the income statement; and the balance sheet presents assets and liabilities in reverse order of liquidity instead of the previously applied liquidity order. The Annual Accounts Act has caused no changes to the valuation of Biacore’s assets or liabilities. Figures of comparison have been reclassified accordingly.

Principles of consolidation

The consolidated and combined financial statements consist of the parent company Biacore International AB and all entities in which Biacore International AB, directly or indirectly, holds more than 50% of the voting rights.

All acquisitions of companies are reported in accordance with the purchase method. Companies acquired (except when subject to combined financial statements) are included as from the date of acquisition.

The effects of all significant transactions between the entities combined and consolidated have been eliminated.

Foreign currency translation

Assets and liabilities of foreign units are translated at year-end exchange rates to Swedish kronor. Income statements are translated at the average exchange rate for the period. Translation differences that arise are recorded directly in shareholders’ equity.

Receivables and liabilities denominated in foreign currencies are translated at year-end exchange rates. Unrealized exchange gains and losses are reported in the income statement. Exchange gains and losses on operating assets and liabilities are reported within operating income, while exchange gains and losses on financial assets and liabilities are reported within financial items, net.

Intangible assets, and property, plant and equipment

Intangible assets, and property, plant and equipment, except land, are recorded at acquisition cost less accumulated amortization and depreciation. Land is recorded at acquisition cost. The values of intangible assets, and property, plant and equipment, are written down when there has been permanent impairment in value.

Shares

Shares in companies in which Biacore holds less than 20% of the voting rights are carried at cost. The values of such shares are written down when there has been permanent impairment in value.

Inventories

Inventories are accounted for in accordance with the first-in, first-out (FIFO) method. Raw materials and work in progress are valued at the lower of cost or replacement cost, while finished products are valued at the lower of cost or net sales value. Detailed inventory aging reports for all significant inventoried products are maintained and reviewed, and obsolescence is provided for.

Liquid funds

Liquid funds include interest-bearing investments with high liquidity and low risk. The items in the balance sheet included in liquid funds are marketable securities and cash and bank. Treasury bills and commercial paper are accounted for using the amortized cost method.

Revenue recognition

Sales are recognized when no significant vendor obligations remain and collection of the resulting receivable is probable, which generally takes place at shipment or delivery as title transfers to the customer.

Revenue from maintenance contracts is recognized ratably over the term of the contracts. Unrecognized revenue relating to maintenance contracts is recorded

as deferred revenue, which is included in the caption “Other liabilities” in the balance sheet.

Warranty costs

Biacore provides, by a current charge to the income statement, an amount it estimates will be needed to cover future warranty obligations for products sold during the year. The accrued liability for warranty costs is included in the caption “Other provisions” in the balance sheet.

Research and development

Research and development costs are expensed as incurred.

Amortization and depreciation

Amortization and depreciation are calculated using the straight-line method and are based on the acquisition cost and estimates of economic life.

Goodwill is amortized over a maximum of 20 years. Goodwill arising from acquisition of sales organizations with established market positions is amortized over 5 to 12 years based on individual assessments.

Buildings and land improvements are depreciated over 25 to 50 and 20 years, respectively. Machinery and equipment is depreciated over 3 to 10 years.

Property, plant and equipment acquired during the year are depreciated from the date the assets are put into service.

Foreign exchange contracts

Unrealized losses on forward foreign exchange contracts entered for purposes of hedging anticipated transactions are recorded in income when incurred. However, until the anticipated transaction being hedged is recorded, unrealized gains are not recognized. Upon final settlement of the anticipated transaction, realized and unrealized gains on forwards designated to hedge anticipated transactions are recorded in the income statement.

Biacore does not engage in or sell forward contracts for trading purposes.

Income taxes

Income taxes include payable and deferred income taxes arising as a result of temporary differences between financial and tax reporting. Deferred income tax liabilities and assets are recorded at the current tax rates of the respective countries in accordance with the liability method. Deferred income tax liabilities and deferred income tax assets are offset only for entities within the same tax jurisdiction.

A deferred income tax asset is recognized for temporary differences that are expected to result in deductible amounts in future years but not for tax loss carryforwards that are not expected to be utilized by Biacore in

the future. A valuation allowance is recognized if it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

In separate company financial statements, untaxed reserves are not allocated between deferred taxes and restricted shareholders' equity.

Minority interests

The net worth of EBI was less than zero from the acquisition of 75.6% to the acquisition of the remaining 24.4%. Accordingly, there is no minority interest reported in the financial statements.

Note 2 Related party transactions

Through its 41% ownership interest, Pharmacia & Upjohn is considered to be a related party of Biacore. Amersham Pharmacia Biotech, which since July 1997 is 45% owned by Pharmacia & Upjohn, is also considered to be a related party of Biacore. Transactions and balances with Pharmacia & Upjohn and its associated company Amersham Pharmacia Biotech, are presented below.

	1997	1996	1995
Sales	99,677	79,359	81,457
Operating expenses	35,408	15,942	10,754
Financial items, net			
Interest income	227	935	99
Interest expense on due to Pharmacia & Upjohn	502	2,600	5,843
Interest expense on other financial liabilities	–	444	624
Interest expense on provision for pensions	–	734	626
Accounts receivable	35,899	32,903	34,030
Other receivables	–	13,460	7,102
Total receivables	35,899	46,363	41,132
Due to Pharmacia & Upjohn, long-term	–	–	45,127
Due to Pharmacia & Upjohn, current	–	52,072	–
Accounts payable	11,062	4,687	8,146
Other financial liabilities	–	–	6,519
Total liabilities	11,062	56,759	59,792
Net receivables from Pharmacia & Upjohn and Amersham Pharmacia Biotech	24,837	-10,396	-18,660

Sales to related parties primarily represent sales to Amersham Pharmacia Biotech subsidiaries under distributor agreements with Biacore for sales to third parties in Asia.

Certain operating expenses have been charged to Biacore by Pharmacia & Upjohn. These services have included employee benefits, real estate and data services. In prior years, these services also included cash management; legal, accounting, tax and insurance services; research resources; and other corporate services. In 1997, expenses also include charges from Amersham Pharmacia Biotech for the Japanese sales operation not yet transferred to the Biacore subsidiary in Japan. Management believes that the costs of these services were reasonable and would not have differed significantly if these services had been purchased from unrelated sources.

Interest income of 99, 935 and 227 for 1995, 1996 and 1997, respectively, on cash-pool and other receivables from Pharmacia & Upjohn in 1995 and 1996, and only on other receivables in 1997, were based on average interest rates of 7.800%, 5.165% and 4.500% for 1995, 1996 and 1997, respectively. Interest rates are based on floating market rates.

Interest expense on the interest-bearing portion of the amount due to Pharmacia & Upjohn in the financial statements is based on average balances of 61,026 and 52,445, and average interest rates of 9.800% and 5.950% for the years ended December 31, 1995 and 1996, respectively. The liability of 52,072 at December 31, 1996 was paid during 1997. The interest rate was 4.500%. Interest rates are based on floating market rates.

Accounts receivable from related parties primarily represent sales to companies within Amersham Pharmacia Biotech.

Other receivables at December 31, 1995 primarily represent Biacore's portion of cash pools held in the name of Pharmacia & Upjohn companies. The amount at December 31, 1996 represents a receivable related to the Swedish FPG/PRI pension provision.

Long-term amounts due to Pharmacia & Upjohn represent interest-bearing liabilities and adjustments of shareholders' equity for group contributions, dividends, certain buildings, land, patents, the change in net assets of the combined businesses, and other transfers.

Current amounts due to Pharmacia & Upjohn at December 31, 1996 represent amounts owed for real estate acquired from Pharmacia & Upjohn.

Accounts payable to related parties primarily represent costs incurred in connection with sales through Amersham Pharmacia Biotech.

Other financial liabilities represented Biacore's obligations for utilizing overdraft facilities with Pharmacia & Upjohn.

The following summarizes the activity in the "Due to Pharmacia & Upjohn" account:

	1997	1996	1995
Balance, beginning of year	52,072	45,127	74,397
Due to Pharmacia & Upjohn increases (decreases) for non-cash investing and financing activities:			
Transfer of property, plant and equipment	-	-	3,796
Adjustment for change in net assets of combined businesses	-	13,227	-4,338
Total	0	13,227	-542
Due to Pharmacia & Upjohn increases (decreases) for cash financing activities:			
Net payments on due to Pharmacia & Upjohn	-52,072	-6,282	-19,460
Group contribution paid	-	-	-9,268
Total	-52,072	-6,282	-28,728
Net change in due to Pharmacia & Upjohn	-52,072	6,945	-29,270
Balance, end of year	0	52,072	45,127

The debt to Pharmacia & Upjohn at December 31, 1996, which related to the acquisition of real estate in Uppsala, was paid during 1997.

In 1995, Biacore paid a total of 10,569 in group contributions to Pharmacia & Upjohn. Of this amount, 9,268 related to 1994 and was recorded as Due to Pharmacia & Upjohn, while 1,301 pertained to 1995 and was recorded in shareholders' equity.

Biacore and Amersham Pharmacia Biotech have agreed on the transfer to Biacore of the Amersham Pharmacia Biotech sales operation for Biacore products in Japan (see Note 5). The total purchase price will be calculated based on sales in Japan during the three year period 1997 through 1999 and is estimated at SEK 58 million in addition to the net book value of certain assets and liabilities which will also be transferred. In 1997, 30,191 of the total purchase price has been paid.

Items in the combined statements of cash flows which refer to transactions with Pharmacia & Upjohn and Amersham Pharmacia Biotech are presented in the following table.

	1997	1996	1995
Cash flows from operating activities			
Decrease (increase)			
in accounts receivable	-2,996	1,127	-21,064
Decrease (increase)			
in other receivables	13,460	-6,358	-7,102
Increase (decrease)			
in accounts payable	6,375	-3,459	4,794
Cash flows from investing activities			
Payment for purchase			
of businesses,			
net of cash acquired	-30,191	-	-2,555
Cash flows from financing activities			
Net payments on due to			
Pharmacia & Upjohn	-52,072	-6,282	-19,460
Change in other			
financial liabilities	-	-6,519	1,946
Proceeds from issuance of shares	-	81,600	-
Dividend paid	-	-33,179	-
Group contribution paid	-	-	-10,569

Note 3 Interest expense

	1997	1996	1995
Interest expense on			
provision for pensions	-999	-734	-626
Other interest expenses	-791	-3,402	-6,467
Interest expense	-1,790	-4,136	-7,093

Note 4 Income taxes

Income after financial items was distributed geographically as follows:

	1997	1996	1995
Sweden	49,321	52,120	57,088
United States	2,105	8,836	-3,841
Rest of world	-4,368	1,424	-1,050
Total	47,058	62,380	52,197

Income taxes were distributed geographically as presented in the following table.

	1997	1996	1995
Payable income taxes:			
Sweden	10,988	14,625	12,450
United States	3,074	4,023	-
Rest of world	806	584	498
Total payable income taxes	14,868	19,232	12,948
Deferred income taxes:			
Sweden	3,097	1,352	3,111
United States	-2,127	1,141	82
Rest of world	-13	-	-
Total deferred income taxes	957	2,493	3,193
Total income taxes	15,825	21,725	16,141

The principal reasons for the difference between the statutory income tax rate in Sweden and the effective tax rate in relation to income after financial items are set forth below:

%	1997	1996	1995
Statutory income tax rate	28	28	28
Differences for foreign tax rates	4	3	1
Taxes related to previous years	1	0	0
Losses not currently utilized	-	-	2
Nondeductible costs for stock			
market introduction	-	3	-
Other nondeductible costs	2	1	0
Nontaxable income	-1	0	0
Effective income tax rate	34	35	31

Deferred income taxes reflect the impact of temporary differences between the basis of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The tax effects of temporary differences that give rise to deferred tax assets and liabilities are presented below:

	1997	1996	1995
Deferred tax assets:			
Intercompany profits	2,470	3,185	1,544
Other	1,125	130	–
Total deferred tax assets	3,595	3,315	1,544
Deferred tax liabilities:			
Accumulated excess depreciation	1,402	1,649	1,743
Tax allocation reserve	11,110	8,381	4,000
Other	913	1,596	1,006
Total deferred tax liabilities	13,425	11,626	6,749
Net deferred tax liabilities	9,830	8,311	5,205

Note 5 Intangible assets

	Acquisition value	Accumulated amortization	Total
Goodwill			
January 1, 1997	–	–	–
Acquisition	57,539	–	57,539
Amortization	–	-5,945	-5,945
Currency translation differences	-469	238	-231
December 31, 1997	57,070	-5,707	51,363

Goodwill relates to the acquisition by Biacore's Japanese subsidiary of Amersham Pharmacia Biotech's Japanese sales operation for Biacore products. The transfer of the sales operation is to be carried out over the three-year period 1997 to 1999. The Japanese market accounts for a significant part of Biacore sales, and has consistently grown. Through the acquisition, Biacore gains a well established market position and a network of local distributors. Therefore the goodwill is amortized over 10 years. The amortization period begins January 1, 1997, which is the effective date of the transaction. As the goodwill is denominated in Japanese yen, the value in Swedish currency fluctuates with the exchange rate between the Japanese yen and the Swedish krona.

Other intangible assets	Acquisition value	Accumulated amortization	Total
January 1, 1997	–	–	–
Acquisition	5,701	–	5,701
Amortization	–	-393	-393
December 31, 1997	5,701	-393	5,308

Other intangible assets mainly refer to patents acquired, which are amortized over 10 years

Note 6 Property, plant and equipment

Buildings	Acquisition value	Accumulated depreciation	Total
January 1, 1997	51,109	-1,735	49,374
Depreciation	–	-1,054	-1,054
December 31, 1997	51,109	-2,789	48,320

Land and land improvements	Acquisition value	Accumulated depreciation	Total
January 1, 1997	11,008	-505	10,503
Depreciation	–	-57	-57
December 31, 1997	11,008	-562	10,446

Machinery and equipment	Acquisition value	Accumulated depreciation	Total
January 1, 1997	56,510	-44,065	12,445
Capital expenditure	10,054	–	10,054
Disposals	-2,845	135	-2,710
Reclassification	5,244	-5,244	–
Depreciation	–	-6,351	-6,351
Currency translation differences	1,102	-194	908
December 31, 1997	70,065	-55,719	14,346

The tax value of real estate in Sweden as of December 31, 1997 was 33,691, of which buildings accounted for 22,639. The title to the property legally transferred from Pharmacia & Upjohn to Biacore in November 1996 has not yet been received.

Note 7 Shares

Name	Number	Ownership, %	Book value	Market value
Diffchamb AB	261,816	10.6	9,750	10,080

Shares in Diffchamb AB were acquired for 9,750 during December 1997.

Note 8 Long-term receivables

	1997	1996	1995
Long-term deferred tax assets	2,528	939	286
Other long-term receivables	289	265	–
Total long-term receivables	2,817	1,204	286

	Long-term deferred tax assets	Other long-term receivables	Total
January 1, 1997	939	265	1,204
Additions	1,579	18	1,597
Exclusions	–	-34	-34
Reclassification	–	27	27
Currency translation differences	10	13	23
December 31, 1997	2,528	289	2,817

Note 9 Inventories

	1997	1996	1995
Raw materials	11,488	5,216	4,638
Work-in-progress	419	114	1,075
Finished products	6,829	6,367	6,065
Allowance for obsolescence	-2,856	-1,034	-1,266
Total inventories	15,880	10,663	10,512

	Allowance for obso- lence	Balance at beginning of period	Charged to allowance and expense	Write-offs and other adjustments	Balance at end of period
1995		255	1,403	-392	1,266
1996		1,266	394	-626	1,034
1997		1,034	2,060	-238	2,856

Note 10 Accounts receivable

Accounts receivable are presented net of allowances for doubtful accounts. The following table summarizes the activity which has been recorded through the allowance for doubtful accounts.

	Allowance for doubtful accounts	Balance at be- ginning of period	Charged to allow- ance and expense	Write-offs	Currency translation differences	Balance at end of period
1995		349	–	-35	–	314
1996		314	217	-103	2	430
1997		430	160	–	36	626

Note 11 Other receivables

	1997	1996	1995
Income tax receivables	1,732	–	–
Current deferred tax assets	1,067	2,376	1,258
Other receivables	5,085	25,242	14,493
Total other receivables	7,884	27,618	15,751

Note 12 Marketable securities

	1997	1996	1995
Government treasury bills	9,944	206,673	–
Bank commercial paper, K1	57,722	–	–
Mortgage commercial paper, K1	24,754	–	–
Industry commercial paper, K1	62,712	–	–
Total marketable securities	155,132	206,673	–

K1 is the best credit rating given by Nordisk Rating for commercial paper. All marketable securities mature during the first quarter 1998.

Note 13 Shareholders' equity

The following table summarizes the changes in shareholders' equity for the periods presented:

	1997	1996	1995
Shareholders' equity at beginning of year	285,183	49,423	10,330
Issuance of shares	-	241,725	-
Non-cash adjustment to due to Pharmacia & Upjohn for change in net assets of combined businesses	-	-13,227	4,338
Group contribution granted	-	-	-1,301
Dividend paid	-	-33,179	-
Currency translation differences	2,101	-214	-
Net income	31,233	40,655	36,056
Shareholders' equity at end of year	318,517	285,183	49,423

As of December 31, 1997, 9,750,000 shares in Biacore International AB with a nominal value of SEK 10 per share were authorized, issued and outstanding.

In accordance with the Swedish Companies Act, the distribution of dividends is limited to the lesser of unrestricted shareholders' equity included in either the Biacore Group's or Biacore International AB's balance sheet after proposed transfers to restricted reserves.

The Biacore Group shareholders' equity is distributed as follows:

	1997	1996
Share capital	97,500	97,500
Restricted reserves	197,631	196,860
Restricted shareholders' equity	295,131	294,360
Unrestricted reserves	-7,847	-49,832
Net income	31,233	40,655
Unrestricted shareholders' equity	23,386	-9,177
Shareholders' equity	318,517	285,183

Note 14 Provision for pensions

	1997	1996	1995
FPG/PRI pensions	15,682	13,460	10,999
Other plans	689	503	381
Total	16,371	13,963	11,380

Biacore's pension commitments in Sweden are administered through the FPG/PRI system. Accrued pensions are discounted to present value, accrued for and guaranteed by FPG.

Certain of Biacore's international businesses also have retirement plans. Benefits provided under these defined benefit pension plans are primarily based on years of service and employee compensation. For international businesses with defined benefit pension plans (the United States and Germany), Biacore determines the value of accumulated plan benefits and records pension expense in accordance with local requirements. In the United States, contributions are made in an annual amount based on actuarial and economic assumptions designed to achieve adequate funding of projected benefit obligations. In Germany, the pension liabilities are generally not funded, but are instead reported within the provision for pensions.

Annual pension costs for unfunded pension plans, including the interest portion, amounted to approximately 2,139, 2,581 and 2,572 for the years ended December 31, 1995, 1996 and 1997, respectively. Interest expense on the Swedish pension liability (FPG/PRI) amounted to 626, 734 and 999 for the years ended December 31, 1995, 1996 and 1997, respectively, and is included in interest expense.

Note 15 Other provisions

Other provisions mainly refers to the unpaid portion of the purchase price for the Japanese sales operation under acquisition from Amersham Pharmacia Biotech. The purchase price is payable over a three year period starting 1997 and is calculated based on sales in Japan.

Note 16 Other liabilities

	1997	1996	1995
Accrued vacation	4,182	4,652	4,018
Other compensation to employees	4,138	5,976	6,436
Payroll taxes and social security costs	7,037	6,091	4,688
Deferred revenue and customer advances	11,393	7,693	4,934
V.A.T. payable	460	1,026	544
Other	5,290	3,895	4,495
Total other liabilities	32,500	29,333	25,115

Note 17 Commitments and contingencies

The contingent liability amounting to 314 at December 31, 1997 is calculated as the maximum liability resulting from the limited mutual secondary liability among FPG's customers for FPG's pension guarantees. See also Note 14.

Biacore leases certain office facilities and equipment under various noncancelable operating lease agreements. Expenses for rented and leased assets, including real estate, amounted to 3,656, 2,646 and 3,037 for 1995, 1996 and 1997, respectively.

Future leasing commitments and rentals under non-cancelable leases as of December 31, 1997, are as follows:

Operating leases	
1998	3,255
1999	2,770
2000	2,175
2001	1,851
2002	1,300
2003 and thereafter	1,392
Total	12,743

Note 18 Fair value of financial instruments

The following information is presented in accordance with SFAS 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments"; SFAS 105, "Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk"; and SFAS 107, "Disclosures about Fair Value of Financial Instruments". These statements require disclosure about derivative financial instruments and estimated fair values for all financial instruments.

For certain financial instruments, including accounts receivable, cash and bank, accounts payable and other current assets and liabilities, the carrying amounts approximate fair value because of their short maturity and moderate interest rate fluctuations. The fair value of shares and marketable securities are based on quoted market prices. The methods and assumptions used to estimate the fair value of foreign exchange contracts is the amount that Biacore would receive or pay to terminate the contracts, based upon estimates obtained from external counterparties.

	1997		1996		1995	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Shares	9,750	10,080	—	—	—	—
Marketable securities	155,132	155,132	206,673	206,673	—	—
<i>Derivative financial instruments held or issued for purposes other than trading:</i>						
Forward exchange contracts	—	195	—	—	—	3,576

Note 19 Personnel

	1997	1996	1995
Wages, salaries and other remuneration:			
Boards of directors, presidents and executive vice presidents ¹⁾	5,376	4,049	1,743
Other employees	54,996	45,985	36,391
Pensions and other social security costs ^{2) 3)}	20,138	20,030	16,723
Total	80,510	70,064	54,857

¹⁾ Including bonuses of 460, 1,596 and 1,135 for the years 1995, 1996 and 1997, respectively.

²⁾ Of which 1,986 referred to boards of directors, presidents and vice presidents in 1997.

³⁾ Of which 6,220 and 6,355 referred to total pension expenses in 1996 and 1997, respectively.

	1997	1996
France		
Average number of employees	6	7
Of whom, women	2	2
Wages, salaries and other remuneration	2,506	1,584
Germany		
Average number of employees	8	7
Of whom, women	2	1
Wages, salaries and other remuneration	3,270	2,582
Sweden		
Average number of employees	106	97
Of whom, women	33	31
Wages, salaries and other remuneration	39,600	34,903
Of which to board, president and vice presidents	3,171	2,607
Of which bonuses	372	926
United Kingdom		
Average number of employees	7	6
Of whom, women	3	2
Wages, salaries and other remuneration	2,241	1,162
United States		
Average number of employees	25	24
Of whom, women	11	6
Wages, salaries and other remuneration	12,755	9,803
Of which to board, president and vice presidents	2,205	1,442
Of which bonuses	763	670
Total		
Average number of employees	152	141
Of whom, women	51	42
Wages, salaries and other remuneration	60,372	50,034

The total remuneration to members of the Board of Directors (other than management) amounted to 320.

No director's fee or other compensation was paid to the Chairman of the Board, Donald R. Parfet, for 1997.

Lars-Göran Andrén, President and Chief Executive Officer of Biacore International AB, received a total of 1,775 in salary and other benefits from Biacore in 1997. In addition, by agreement, a bonus for 1997 in the form of a special pension supplement amounting to 294 was paid. Biacore may terminate the employment of the Chief Executive Officer on 6 months' prior notice with an 18 month severance payment. The Chief Executive Officer is obligated to give 6 months prior notice of his resignation.

The retirement age of the Chief Executive Officer is 60 years. With full pension accrual he is entitled to a pension corresponding to 50% of his salary up to 75 times the Swedish Base Amount (the basis typically used in Sweden for calculations relating to pensions, which is SEK 36,400 for 1998).

Other members of the management group received aggregate salaries of 5,990. Bonuses for 1997 have not yet been determined. Most members of the management group are entitled to the use of a company car free of charge, other than the tax on the benefit of such car. For most members of the management group, Biacore's prior notice for terminating employment is 6 months, with severance pay equal to 6 months' salary. Pension benefits for the members of the management group are based on the national pension plan. The members of the management group are generally covered by the ITP scheme. For two members of the management group, Biacore pays certain other pension policies which replace and somewhat exceed the ITP plan.

In January 1997, the Board of Biacore approved a stock option agreement to key Biacore employees. The stock option agreement grants irrevocable rights to purchase a total of 119,500 shares of Biacore International AB stock from Pharmacia & Upjohn at an exercise price of between SEK 75 and SEK 144 per share. The options may be exercised immediately, in whole or in part, and expire in December 2001.

Note 20 Subsequent events

In February 1998, Ulf Jönsson started as Executive Vice President and head of Technical Operations.

Note 21 Generally accepted accounting principles in the United States (U.S. GAAP)

The financial statements have been prepared in accordance with Swedish GAAP. These accounting principles differ in certain respects from U.S. GAAP.

Following is a summary of the estimated adjustments under U.S. GAAP that affect Biacore's net income for the years ended December 31, 1995, 1996 and 1997, and total shareholders' equity as of December 31, 1995, 1996 and 1997, respectively, together with a discussion of the principal differences between Swedish and U.S. GAAP that are significant to Biacore's financial statements.

	1997	1996	1995
		Combined	Combined
Net income in accordance with Swedish GAAP	31,233	40,655	36,056
Adjustments:			
Contract with Amersham Pharmacia Biotech	-13,873	-	-
Foreign exchange contracts	195	-3,576	3,243
Pensions	-79	864	449
Deferred taxes on U.S. GAAP adjustments	6,904	760	-1,034

Net income in accordance with U.S. GAAP	24,380	38,703	38,714
Earnings per share in accordance with U.S. GAAP, SEK	2,50	3,97	

	1997	1996	1995
			Combined
Shareholders' equity in accordance with Swedish GAAP	318,517	285,183	49,423
Adjustments:			
Contract with Amersham Pharmacia Biotech	-13,873	-	-
Shares	330	-	-
Foreign exchange contracts	195	-	3,576
Pensions	344	423	-441
Deferred taxes on U.S. GAAP adjustments	6,693	-118	-878

Shareholders' equity in accordance with U.S. GAAP	312,206	285,488	51,680
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Contract with Amersham Pharmacia Biotech

Under Swedish GAAP, a contract with Amersham Pharmacia Biotech has been accounted for as the acquisition of a business which resulted in the recording of goodwill. This goodwill is being amortized over a period of ten years.

Under U.S. GAAP, the contract with Amersham Pharmacia Biotech has been accounted for as the purchase of services to be rendered during a period of three years. Accordingly, the costs of the services purchased will be charged to income in the period the services are rendered.

Shares

In accordance with Swedish GAAP, the shares in Diffchamb are carried at cost.

According to U.S. GAAP, these equity securities qualify as "available for sale" and should be carried at fair value. The unrealized gains and losses, net of deferred taxes, should be classified as a separate component of shareholders' equity until realized.

Foreign exchange contracts

In accordance with Swedish GAAP, unrealized losses on forward foreign exchange contracts entered for purposes of hedging anticipated transactions are recorded in income when incurred. However, until the anticipated transaction being hedged is recorded, unrealized gains are not recognized. Upon final settlement of the anticipated transaction, realized and unrealized gains on forwards designated to hedge anticipated transactions are recorded in the income statement.

Under U.S. GAAP, unrealized gains and losses are recorded on forward contracts from the date such contracts are entered. To the extent such contracts qualify as hedges, unrealized gains and losses are deferred until the transaction being hedged is recorded.

The forward contracts entered into by Biacore to hedge anticipated transactions do not qualify as hedges of firm commitments under U.S. GAAP. Accordingly, under U.S. GAAP, in contrast to Swedish GAAP, unrealized gains on forward contracts are included in net income.

Pensions

Under Swedish GAAP, Biacore provides for its pension obligations based on actuarial calculations. Under U.S. GAAP, the determination of pension costs and obligations are also based on actuarial assumptions, but the methods and assumptions are different under SFAS No. 87, "Employers' Accounting for Pensions."

A majority of the pension plans are unfunded. Instead, provisions for pensions are recorded. A summary of the funded status of the Group's significant defined benefit pension plans in accordance with SFAS No. 87 follows:

	1997	1996	1995
Accumulated vested benefit obligations	12,758	10,504	8,535
Projected benefit obligation	18,716	14,796	10,728
Plan assets at fair value	-	-	-
Projected benefit obligation in excess of plan assets	18,716	14,796	10,728
Unrecognized actuarial gain (loss)	-3,237	-1,610	869
Unrecognized transition obligation	-141	-149	-157
Liability for FPG/PRI pensions	15,338	13,037	11,440
Liability for other plans	689	503	381
Total liability	16,027	13,540	11,821

Pension cost calculated in accordance with U.S. GAAP includes the following:

	1997	1996	1995
Service cost benefits earned during the year	1,331	837	637
Interest cost on projected benefit obligation	962	752	708
Amortization of actuarial gain	-	-	-44
Amortization of remaining transition obligation	8	8	8
Net pension cost for FPG/PRI pensions	2,301	1,597	1,309
Net pension cost for other plans	190	218	381
Total pension cost	2,491	1,815	1,690

Assumptions used for the defined plans were:

%	1997	1996	1995
Weighted average discount rate	6.0	6.5	7.0
Rates of increase in compensation levels	3.0	3.5	4.0
Inflation rate	2.0	2.5	3.0

Marketable securities

Marketable securities consist of treasury bills and commercial paper. Under Swedish GAAP, such discount securities are carried at amortized cost.

Under U.S. GAAP, these assets qualify as “available for sale” and should be carried at fair value. The unrealized gains and losses, net of deferred taxes, should be classified as a separate component of shareholders’ equity until realized.

For the periods presented herein, there was no material difference in the reconciliation of shareholders’ equity from Swedish to U.S. GAAP for marketable securities.

Deferred taxes on U.S. GAAP adjustments

Deferred taxes are calculated on the U.S. GAAP adjustments described above in accordance with SFAS 109, “Accounting for Income Taxes,” where appropriate.

Classifications

Interest expense associated with the Swedish pension liability that is included in interest expense under Swedish GAAP in the amounts of 626, 734 and 999 for the years ended December 31, 1995, 1996 and 1997, respectively, would be included in operating expenses under U.S. GAAP.

Biacore follows the policy of translating accounts receivable and accounts payable balances denominated in foreign currencies at the exchange rate at the balance sheet date. Exchange gains and losses are classified as cost of goods sold in the income statement. Under U.S. GAAP, gains and losses from foreign currency translation are classified as financial items, net in the income statement.

The above described differences between Swedish GAAP and U.S. GAAP affected cost of goods sold as follows:

	1997	1996	1995
Swedish GAAP	-49,815	-62,121	-50,216
U.S. GAAP	-52,497	-60,587	-46,011

For 1996, SEK 10.2 million of expenses related to the stock market introduction of Biacore have been included in administrative expenses. Under U.S. GAAP these expenses would have been presented as a nonrecurring item.

The accompanying statements of cash flows are prepared in a format consistent with SFAS No. 95 “Statement of Cash Flows,” except for the presentation of marketable securities as liquid funds. Under SFAS No. 95, cash and cash equivalents presented should generally only include items with original maturities of three months or less. Under Swedish GAAP, marketable securities which would not meet the definition of cash and cash equivalents in accordance with SFAS No. 95, have been presented with cash and bank as liquid funds in the statements of cash flows. As a result, changes in the portion of liquid funds not meeting the U.S. GAAP definition of cash and cash equivalents would be classified as investing activities under SFAS No. 95. These differences between Swedish and U.S. GAAP are indicated in the following table:

	1997		1996		1995	
	Swedish GAAP	U.S. GAAP	Swedish GAAP	U.S. GAAP	Swedish GAAP	U.S. GAAP
Balance sheets						
Marketable securities	155,132		206,673		–	
Cash and bank	27,636		34,010		8,083	
Investments in marketable securities		80,536		156,773		–
"Cash and cash equivalents"		102,232		83,910		8,083
Total	182,768	182,768	240,683	240,683	8,083	8,083
Statements of cash flows						
<i>Cash flows from operating activities</i>						
Deduction of interest on treasury bills and commercial paper		-919		–		–
Deduction of gains on sale of marketable securities		-69		–		–
Decrease (increase) in other receivables		-1,848		–		–
<i>Cash flows from investing activities</i>						
Purchase of marketable securities		-79,617		-156,773		–
Sales and maturities of marketable securities		158,690		–		–
Net increase (decrease) in liquid funds	-57,915		232,600		8,083	
Net increase in cash and cash equivalents		18,322		75,827		8,083

Effect of Recent Pronouncements

In January 1997, the Securities and Exchange Commission adopted final rules requiring companies to disclose additional qualitative information about the market risk of derivatives and other financial instruments and accounting policies for derivatives. For registrants with market capitalization of less than USD 2.5 billion, disclosure is required in financial statements for periods ending after June 15, 1998. Biacore has not yet fully adopted the new rules, but does not expect them to have a material impact on its financial statements.

SFAS No. 129, "Disclosure of Information about Capital Structure," is effective for financial years beginning after December 15, 1997. This standard establishes guidelines for disclosing information about an entity's capital structure. The impact of the adoption of SFAS No. 129 is not expected to be material to Biacore's financial statements.

SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," are effective for financial years beginning after December 15, 1997. SFAS No. 130 establishes standards for recording and presenting comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. SFAS No. 131 establishes standards for the way that public businesses report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. Biacore intends to adopt these disclosure-only pronouncements as appropriate in 1998.

Parent Company Income Statements

SEK 000s	1997	1996
Administration	-5,237	-322
Operating income	-5,237	-322
Interest income from group companies	10,435	761
Other interest income	3	84
Income after financial items	5,201	523
Shareholder's contribution	394	-
Transfer to tax allocation reserve	-1,071	-188
Income before taxes	4,524	335
Income taxes	-1,199	-157
Net income	3,325	178

Parent Company Balance Sheets

SEK 000s, December 31	1997	1996
ASSETS		
Long-term assets		
Shares in subsidiaries	Note 2 52,500	52,500
Shares in other companies	Note 3 9,750	-
Long-term financial assets	62,250	52,500
Total long-term assets	62,250	52,500
Current assets		
Receivables from group companies	242,957	242,272
Other receivables	719	-
Receivables	243,676	242,272
Cash and bank	33	100
Total current assets	243,709	242,372
Total assets	305,959	294,872
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	Note 4	
Restricted equity		
Share capital (9,750,000 shares of SEK 10 each)	97,500	97,500
Legal reserve	196,725	196,725
Total restricted shareholders' equity	294,225	294,225
Unrestricted shareholders' equity		
Retained earnings	178	-
Net income	3,325	178
Total unrestricted shareholders' equity	3,503	178
Total shareholders' equity	297,728	294,403
Untaxed reserves		
Tax allocation reserve	1,259	188
Total untaxed reserves	1,259	188
Current liabilities		
Liabilities to group companies	5,099	-
Income taxes payable	1,371	157
Other liabilities	502	124
Total current liabilities	6,972	281
Total shareholders' equity and liabilities	305,959	294,872
Pledged assets and contingent liabilities		
Pledged assets	None	None
Contingent liabilities	Note 5 15,996	None

Parent Company Statements of Cash Flows

SEK 000s	1997	1996
Cash flows from operating activities		
Net income	3,325	178
Less: Transfer to tax allocation reserve	1,071	188
Decrease (increase) in other receivables	-719	-
Increase (decrease) in income taxes payable	1,214	157
Increase (decrease) in other liabilities	378	124
Net cash provided by (used in) operating activities	5,269	647
Cash flows from investing activities		
Decrease (increase) in receivables from group companies	-685	-242,272
Purchase of shares in other companies	-9,750	-
Net cash provided by (used in) investing activities	-10,435	-242,272
Cash flows from financing activities		
Increase (decrease) in liabilities to group companies	5,099	-
Proceeds from issuance of shares	-	241,725
Net cash provided by (used in) financing activities	5,099	241,725
Net increase in liquid funds	-67	100
Liquid funds at beginning of year	100	-
Liquid funds at end of year	33	100

Notes to the Parent Company financial statements

Amounts are in thousands of Swedish kronor, unless stated otherwise.

Note 1 Shareholder's contribution

A shareholder's contribution of 394 has been received from Pharmacia & Upjohn as a result of a tax warranty in connection with the stock market introduction of Biacore International AB.

Note 2 Shares in subsidiaries

Direct subsidiary:

Name	Number	Company registration No.	Reg. office	Ownership, %	Book value
Biacore AB	10,000	556130-7728	Uppsala	100.0	52,500

Indirect subsidiaries:

Name	Registered office	Ownership, %
Biacore Holding, Inc.	United States	100.0
Biacore, Inc.	United States	100.0
EBI Sensors, Inc.	United States	100.0
Biacore KK	Japan	100.0

Note 3 Shares in other companies

Name	Number	Ownership, %	Book value	Market value
Diffchamb AB	261,816	10.6	9,750	10,080

Shares in Diffchamb AB were acquired for 9,750 during December 1997.

Note 4 Shareholders' equity

	Share capital	Legal reserve	Unrestricted equity	Total
January 1, 1997	97,500	196,725	178	294,403
Net income	-	-	3,325	3,325
December 31, 1997	97,500	196,725	3,503	297,728

Note 5 Contingent liabilities

	1997	1996
Guarantee for PRI liability at Biacore AB	15,996	-

Note 6 Personnel

	1997	1996
Wages, salaries and other remuneration:		
Board of directors, president and executive vice president	553	-
Other employees	105	-
Pensions and other social security costs	166	-
Total	824	-

There were no bonus or pension expenses in 1996 or 1997. See also note 19 to the consolidated accounts.

Proposal for appropriation of profits

Amounts are in thousands of Swedish kronor.

The Biacore Group's unrestricted shareholders' equity amounts to 23,386. No allocations to restricted reserves are proposed. The following unrestricted shareholders' equity in the parent company is available to the Annual General Meeting:

Retained earnings	178
Net income	3,325
Total	3,503

The Board of Directors and President propose that the unrestricted shareholders' equity be used as follows:

To be carried forward as retained earnings	3,503
Total	3,503

Uppsala, Sweden, February 25, 1998

Donald R. Parfet
Chairman of the Board

Tomas Andersson
Employee representative

Charlotte Byström
Employee representative

Gordon Edge

Ingemar Lundström

Marc Van Regenmortel

Erik von Sydow

Lars-Göran Andrén
President

Auditors' report

To the general meeting of the shareholders of Biacore International AB (publ.)

Registered Number 556534-5211

We have audited the parent company and the consolidated financial statements, the accounts and the administration of the board of directors and the president of Biacore International AB (publ.) for 1997. These accounts and the administration of the Company are the responsibility of the board of directors and the president. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the board of directors and the president, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or the president or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the parent company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and consequently we recommend

- that the income statements and the balance sheets of the Parent Company and the Group be adopted, and
- that the profit of the Parent Company be dealt with in accordance with the proposal in the Administration Report.

In our opinion, the board members and the president have not committed any act or been guilty of any omission, which could give rise to any liability to the Company. We therefore recommend

- that the members of the board of directors and the president be discharged from liability for the financial year.

Stockholm, March 13, 1998
ÖHRLINGS COOPERS & LYBRAND AB

Göran Tidström
Authorized Public Accountant

Sten Håkansson
Authorized Public Accountant

Board of directors and comp

Board of directors



Donald R. Parfet

Born 1952. Chairman of the Board since 1996. Senior Vice President, Affiliated Businesses and member of Pharmacia & Upjohn's Operations Group. MBA, University of Michigan, 1977.

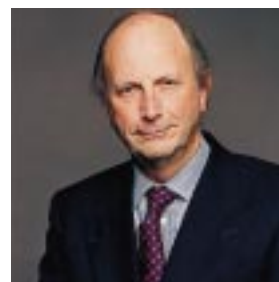
Shares in Biacore: 24,500.



Lars-Göran Andrén

Born 1943. Employed by Pharmacia 1974. Director and later Vice President, Instrument Development, at Pharmacia Fine Chemicals AB 1974-1980. Various positions outside Pharmacia 1980-1986. Group Vice President, Corporate Development, at Kabi Vitrum AB (later Kabi Pharmacia AB) 1986-1992. President and CEO of Biacore since 1992. M.Sc. Chem. Eng., Chalmers University of Technology, Gothenburg, Sweden, 1966.

Shares in Biacore: 1,281 plus 52,500 stock options.



Professor Gordon Edge

Born 1937. Director since 1993. Chairman and founder of The Generics Group plc, a technological and business development consulting firm. Member of U.K. Department of Trade and Industry Technology Foresight IT, Electronics and Communications (ITEC) Panel. Chartered Engineer and Associated Professor at the Department of Manufacturing Engineering at the University of Bath, United Kingdom. D. Tech., Brunel University. Commander of the British Empire (CBE).

Shares in Biacore: 0.



Professor Ingemar Lundström

Born 1941. Director since 1984. Professor at Linköping University, 1978. Ph.D., Chalmers University of Technology, Gothenburg, Sweden, 1970. Head of the Division of Applied Physics at Linköping University. Member of the Royal Swedish Academy of Engineering Sciences, the Royal Swedish Academy of Sciences and the Swedish Research Council for Engineering Sciences.

Shares in Biacore: 600.

Deputy directors



Doctor Markku Hämäläinen

Born 1958. Employee representative since 1995. Ph.D. in Chemometrics, Agricultural University of Sweden. Employed since 1993. Shares in Biacore: 281.



Gösta Sörndal

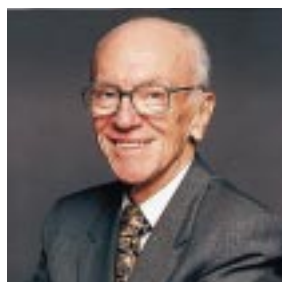
Born 1961. Employee representative since 1993. Employed since 1988 as production engineer. Shares in Biacore: 281.

any management



Professor Marc Van Regenmortel

Born 1934. Director since 1995. Director of Immunochemistry Department at the Institute for Molecular and Cellular Biology in Strasbourg, France. Previously Chairman of Virology at the International Union of Microbiological Societies (IUMS). Secretary General of IUMS. Ph.D., University of Cape Town, South Africa, 1961. Shares in Biacore: 500.



Professor Erik von Sydow

Born 1930. Director since 1995. Held executive positions within the Nestlé group from 1980. Ph.D., Chemistry, Uppsala University, 1956. Former Secretary General and President of International Union of Food Sciences and Technology (IU FoST). Shares in Biacore: 0.



Tomas Andersson

Born 1960. Employee representative since 1994. Engineer in the Process Development department since 1989. Shares in Biacore: 281.



Charlotte Byström

Born 1953. Employee representative since 1997. Employed since 1996 as accountant. B.Sc. Econ., Växjö University, 1989. Shares in Biacore: 187.

Company management

Executive Officers

Lars-Göran Andrén

Born 1943. President and Chief Executive Officer since 1992. Shares in Biacore: 1,281 plus 52,500 stock options.

Claes Blanche

Born 1957. Executive Vice President, Chief Operating Officer and head of global marketing and sales organization for life science research products (from November 1997). Shares in Biacore: no shares held, 4,000 stock options.

Lars-Olov Forslund

Born 1952. Executive Vice President and Chief Financial Officer. Shares in Biacore: no shares held, 10,000 stock options.

Ulf Jönsson

Born 1953. Executive Vice President and head of R&D and Technical Operations (starting in 1998). Shares in Biacore: 100.

Other Senior Managers

Carin Ekström

Head of Human Resources.

Setsuko Hashimoto

Marketing Director, Biacore KK, Japan.

Kenneth Johansson

Head of Logistics.

Bengt Sahlin

Marketing Manager, Food and Environmental Analysis.

Clive Seymour

Marketing Director, Asia-Pacific excluding Japan.

Per Sjöberg

Marketing Manager, Research Products.

Tom Wida

President Biacore Inc., USA.

Anders Wiklund

Business Development Manager.

Technical glossary

Affinity

The propensity of one molecule to bind to another; the strength of binding.

Affinity-based biosensor technology

Technology for measuring molecular interactions using a detector that relies on the strength and specificity of the interaction.

Analyte

The interactant in biomolecular interaction analysis that is free in solution (see also immobilized interactant).

Antibody

A substance produced by the body in response to the presence of an antigen. An antibody binds specifically to the antigen that elicited the response.

Antigen

A substance that elicits an immune response in the body by causing production of antibodies (molecules that can bind specifically to the antigen).

Associate

Bind together.

Association rate

The rate at which molecules bind together.

BIA technology

Technology based on molecular interaction analysis, i.e., how biomolecules affect each other.

BIACORE®

A registered trademark for affinity-based biosensor instruments developed and manufactured by Biacore AB.

Binding

The process by which two or more molecules interact to form a complex.

Dissociate

Fall apart. In biomolecular terms, this refers to the process by which a molecular complex (see binding) falls apart into its component molecules.

Fiber optics

A system employing thin, flexible fibers of glass or plastic which can transmit light-based information, in Biacore's case, from the light source to the measurement surface on the fiber and back to the measurement unit in the instrument.

Fixed wavelength light

Light of fixed wavelength (color).

Flow cell

The part of a flow system where detection occurs; in Biacore's instruments, one wall of the flow cell is the sensor chip.

Fluorescence

See fluorescent group.

Fluorescent group

A molecular group (group of atoms) which exhibits fluorescence, i.e., when illuminated with light of one wavelength it will emit light of another wavelength.

Genomics

The study and sequencing of the information content in genetic material (DNA).

Human Genome Project

A multinational effort to establish the complete structure and information content of the human genome.

IFC

See integrated microfluidic cartridge.

Immobilized interactant

The interactant in biomolecular interaction analysis that is attached to the sensor chip (see also analyte).

Integrated microfluidic cartridge

A device in Biacore's instruments for directing the flow of liquid to and from the sensor chip in a controlled manner.

Interactant

A substance that participates in an interaction.

Kinetics

The rates of association and dissociation of biomolecules.

Labeling

Attachment of a molecular group (the "label") to a biomolecule to facilitate detection of the molecule.

Life science

The study of biological processes and the ways in which cells and biomolecules function in different systems and in relation to each other.

Ligand

A substance that binds to a receptor.

Microfluidics

Controlled liquid flow handling on a very small scale.

Molecular biology

Study of the molecular mechanisms of inheritance and expression of genetic material.

Monoclonal antibodies (MAb)

Antibodies derived from an individual cell. Monoclonal antibodies consist of a single molecular type, whereas antibodies produced in the body are derived from many different cells and are a mixture of many molecular types.

Multi-channel analysis

In Biacore's instruments, this refers to the ability to measure interactions in several flow cells simultaneously.

Optical detection unit

In Biacore's instruments, the unit consisting of the light source, focusing device and detector responsible for measurement of the SPR response.

Reagents

Substances that take part in chemical reactions.

Receptor

A molecule, commonly but not necessarily on the surface of a cell, that as a result of interaction with another molecule (ligand) initiates a signal transduction process.

Screening

The process whereby candidate substances for, e.g., drug development are selected from a large number of potential substances.

Sensor chip

A consumable containing the flat chemically prepared gold-plated surface where the interaction being studied and detection take place.

Sensor probe

A consumable containing the flat chemically prepared gold-plated tip of an optic fiber on which the studied interaction and detection take place.

Sensorgram

A graphed response plotted by Biacore's instruments, showing the progress of the interaction being studied against time.

Specificity

The propensity of one molecule to bind to another to the exclusion of others.

Spectroscopic techniques

Techniques that rely on measurement of the optical properties of a sample at different wavelengths of light.

SPR

See surface plasmon resonance.

Surface plasmon resonance

A phenomenon occurring in a thin metal film illuminated with light under certain conditions. SPR is sensitive to and may be used to measure the properties of a thin layer of liquid close to the surface on the opposite side of the surface from the incident light.

Financial definitions

Capital expenditures

Investments in tangible fixed assets such as buildings, land, land improvements, machinery and equipment.

Earnings per share

Net income divided by the average number of shares.

Equity ratio

Shareholders' equity divided by total assets.

Interest coverage

Operating income plus financial income divided by financial expense.

Net interest-bearing assets

The net balance of interest-bearing assets and liabilities, including pension liabilities.

Net payable and deferred income tax liability

The total of income taxes payable and provisions for deferred taxes, less the total of income tax receivables and deferred tax assets.

Operating capital

The net balance of assets and liabilities not included in shares, net interest-bearing assets, or net payable and deferred income tax liability.

Operating margin

Operating income divided by sales.

P/E ratio

The last share price paid divided by earnings per share.

Return on equity

Net income divided by average shareholders' equity.

Return on operating capital

Operating income divided by average operating capital.

Shareholders' equity per share

Shareholders' equity divided by the number of shares at the end of the period.

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