



## YEAR-END REPORT 2000

- Biacore's rapid growth continues. Sales in the fourth quarter were up 20% on the exceptionally strong final quarter of 1999. Full year sales were up 29% at SEK 438.8 million.
- SPR technology gained further acceptance as a key drug discovery tool, driving strong global demand from the pharmaceutical and biotech industry.
- Earnings per share rose 14% to SEK 6.02 while an additional SEK 15 million was spent to speed up the commercialization of the company's unique SPR array chip technology.
- The first of our new high performance systems, named BIACORE<sup>®</sup> S51, will be launched in the third quarter of 2001, designed for lead optimization and certain specific ADME\* applications.
- Collaboration with Millennium Pharmaceuticals on SPR array chip technology is progressing well with key personnel now in place. A further increase in spending on this highly innovative technology is planned for 2001.
- Biacore expects to continue to grow strongly with sales in 2001 forecast to increase by more than 20%.

	January – December			October – December		
	2000	1999	Change	2000	1999	Change
Sales, SEK million	<b>438.8</b>	340.4	+29%	<b>165.3</b>	137.4	+20%
Operating income, SEK million	<b>78.0</b>	67.6	+15%	<b>37.6</b>	43.0	-13%
Operating margin, %	<b>18</b>	20		<b>23</b>	31	
Income after financial items, SEK million	<b>86.7</b>	75.3	+15%	<b>40.6</b>	45.6	-11%
Diluted earnings per share, SEK	<b>6.02</b>	5.26	+14%	<b>2.80</b>	3.07	-9%

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

## OPERATIONAL REVIEW JANUARY- DECEMBER 2000

*Amounts stated in this report pertain to the Biacore Group, unless indicated otherwise. Figures in parentheses refer to January-December 1999.*

The growing recognition of the value of Biacore's unique SPR technology led to another quarter of strong sales growth for the company. Sales during the fourth quarter 2000 were 20% higher than in the very strong final quarter of 1999.

Total sales for the full year 2000 increased by 29% to SEK 438.8 million. Excluding currency effects sales increased by 20%.

Sales were divided geographically as follows:

SEK million	January-December			October-December		
	2000	1999	Change	2000	1999	Change
Americas	<b>191.9</b>	141.2	+36%	<b>62.1</b>	51.3	+21%
Europe	<b>139.1</b>	116.2	+20%	<b>46.5</b>	50.5	-8%
Asia-Pacific	<b>107.8</b>	83.0	+30%	<b>56.7</b>	35.6	+59%

The sales growth that Biacore achieved in the year 2000 reflects increasing awareness amongst key customer groups of the benefits that SPR technology systems can bring. This is due to the broad range of applications offered by the company's most sophisticated system, the BIACORE<sup>®</sup>3000.

The BIACORE<sup>®</sup>3000 has played a pivotal role in spearheading the company's aggressive strategic move to become an important technology supplier to the drug discovery industry. The success that Biacore has achieved in this market underscores the company's current strategy of investing heavily to accelerate the introduction of new systems for the pharmaceutical and biotechnology industries. The BIACORE<sup>®</sup>3000 is used for applications in the critical areas of drug discovery upstream of high throughput screening (HTS). These include target identification, and assay development and validation for HTS. The system, which was introduced in the third quarter 1998, has also been particularly well accepted by academic customers in Biacore's core basic life science research market.

Sales in the Americas increased by 21% in the fourth quarter to SEK 62.1 million. In Europe there was an 8% downturn in sales in the fourth quarter to SEK 46.5 million with higher sales in Northern Europe being offset by lower revenues from parts of Southern Europe. In Asia-Pacific, sales expanded very rapidly in Japan, which meant that overall fourth quarter sales in the region rose by 59% to SEK 56.7 million.

Encouragingly, the rapid sales growth that has been achieved has not been at the expense of margins. The full year gross margin was 82.2%, an increase on the 80.5% achieved last year but within normal variations.

In the fourth quarter total costs for marketing, administration and research and development amounted to SEK 96,9 million (67.0), a 45% increase. Marketing costs rose by 43% as the company continued to develop its sales capability in key markets such as the U.S. and Japan. However, the key factor in the increase in fourth quarter costs was R&D where spending rose by 91% to SEK 28.6 million. This increase relates to the recruitment of additional R&D staff and the incurrence of certain one-time costs.

In early 2000, a decision was made to invest heavily in the structure and resources needed to commercialize the SPR array chip technology, which will provide major throughput advantages in comparison to current products and transform Biacore's product offering to the drug discovery industry. SEK 14.9 million was spent in 2000, of which SEK 5.3 million in the fourth quarter, in order to speed up the commercialization of this technology.

Another significant cost item in 2000 related to provisions for employee bonuses and stock option programs. These have resulted from the company's continued success, as well as the very positive development of the Biacore share price during the course of 2000. The company's higher employment costs for the year 2000 reflect the strengthening of the senior management team, the significant increase in employee numbers, as well as the cost of providing the competitive remuneration packages needed to attract the high quality people that will be vital to support Biacore's future growth.

Operating income for the full year amounted to SEK 78.0 million (67.6), an increase of 15%. The operating margin was 18% (20). Excluding the investments that were made in the SPR array chip technology, the operating margin would have increased to 21%. Currency differences amounted to SEK 3.2 million (2.2) in 'Other income and expenses' and SEK 1.3 million (1.0) in 'Financial items.'

The tax charge in 2000 was stable at 32% (32) of income after financial items.

Net income was SEK 59.1 million (51.2), giving a 14% increase in diluted earnings per share to SEK 6.02 (5.26).

## **INVESTING ACTIVITIES**

Capital expenditures totalled SEK 14.2 million (22.9).

## **PERSONNEL**

At the end of December 2000, Biacore had 228 (193) permanent employees.

## **STREAMLINED CORPORATE STRUCTURE**

A key event for Biacore in 2000 was the new corporate structure that was put in place. The company now revolves around the three new business units that have been formed in order to focus the company's efforts on the three present markets:

- the pharmaceutical/biotechnology industry,
- the life science research market, and
- the food industry

These business units are in turn supported by a new technology supply division, which will bring together the company's extensive technical resources in research and development, manufacturing, and quality assurance.

## **DRUG DISCOVERY – THE KEY STRATEGIC FOCUS**

In 1999, Biacore took the decision to focus on the drug discovery market as it represents a major commercial opportunity for the company's SPR technology. The company is confident that its systems will be able to significantly improve the economics of drug discovery by overcoming the key bottlenecks in the current process.

The success that Biacore has achieved to-date has served to reinforce the validity of this strategy and as a result the company is now investing heavily to bring its new high throughput SPR based systems to the market as rapidly as possible. These systems are designed to give Biacore access to key parts of the drug discovery market where higher throughput is of major benefit to customers.

## *New High Performance Systems*

The last twelve months has seen further progress with the new high performance systems. These systems are designed to help solve some of the major analytical problems facing the drug discovery industry, particularly downstream of HTS. These include aspects of hit characterization, lead optimization and ADME\*, each of which is a serious bottleneck in drug discovery today. The new high performance systems will complement the BIACORE®3000 system, which targets applications upstream of HTS.

The new systems, developed in collaboration with major pharmaceutical partners such as SmithKline Beecham, Pharmacia Corporation and Millennium Pharmaceuticals, will offer high sensitivity, high quality data and high throughput capabilities for specific applications downstream of HTS. The first of these new systems named BIACORE®S51, which will be used for lead optimization and certain specific ADME applications, will be launched in the third quarter of 2001.

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

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

The last six months has seen the start of Biacore's collaboration with Millennium Pharmaceuticals to commercialize its SPR array chip technology for proteomics and drug discovery applications. This collaboration, which was signed in June 2000, is the first of a number of collaborations that Biacore expects to sign, in order to achieve the full potential of this technology.

The Millennium collaboration will focus on developing specific high throughput proteomics and other applications that will lead to important productivity-enhancing advances across all aspects of the drug discovery process.

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

## *Higher Investment to Continue*

The substantial commercial potential for Biacore's unique SPR array chip technology has led the company to increase significantly its overall investment in this technology in order to bring it to the market as rapidly as possible. This higher level of spending has already been reflected in the company's income statement.

In the year 2001, Biacore expects to invest in the region of SEK 30 million on commercializing its SPR array chip technology. This investment in SPR array chip technology is in addition to the company's on-going level of R&D spending. In 2000, the additional spending amounted to SEK 14.9 million.

## FACING THE FUTURE WITH CONFIDENCE

The year 2000 has been one of significant progress for Biacore and has provided a strong platform for the future. The company's confidence is based on:

- the growth that can be achieved in the drug discovery market through its present products and the new high performance systems
- the growth prospects for the company's life sciences business as a result of the massive global interest in both genomics and proteomics
- the potential of the company's new SPR array chip technology which will allow Biacore to become a significant player in the proteomics revolution
- the company's strong financial position, its broad patent portfolio and the determination and experience of the recently expanded Biacore management team.

## DIVIDEND

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

## OUTLOOK FOR 2001

Biacore expects to continue to grow strongly with sales in 2001 forecast to increase by more than 20%.

The Annual General Meeting will be held on Wednesday, May 9, 2001 at 4.30 pm in Uppsala.

Uppsala, Sweden, February 21, 2001  
 BIACORE INTERNATIONAL AB (publ)  
 The Board of Directors

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

\*\*) Proteomics is the study of structure and function of the proteins expressed in a cell at any one time.

## FINANCIAL INFORMATION

Biacore's Annual Report will be distributed to the shareholders in mid April. The Annual Report will also be available from that time on Biacore's website. During 2001, Biacore plans to release its interim reports as follows:

January – March	Wednesday, May 9
January – June	Monday, July 23
January – September	Friday, October 19

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

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

## Biacore Consolidated Income Statements

SEK million	January-December			October-December		
	2000	1999	Change	2000	1999	Change
<b>Sales</b>	<b>438.8</b>	<b>340.4</b>	29%	<b>165.3</b>	<b>137.4</b>	20%
Cost of goods sold	-78.1	-66.2	18%	-27.1	-27.6	-2%
Marketing	-147.4	-114.0	29%	-52.9	-36.9	43%
Administration	-60.8	-34.8	75%	-15.4	-15.1	2%
Research and development	-72.8	-52.9	38%	-28.6	-15.0	91%
Other income and expenses	3.3	2.0		-2.4	2.1	
Amortization of goodwill	-5.0	-6.9		-1.3	-1.9	
<b>Operating income</b>	<b>78.0</b>	<b>67.6</b>	15%	<b>37.6</b>	<b>43.0</b>	-13%
Financial items, net	8.7	7.7		3.0	2.6	
<b>Income after financial items</b>	<b>86.7</b>	<b>75.3</b>	15%	<b>40.6</b>	<b>45.6</b>	-11%
Income taxes	-27.6	-24.1		-12.7	-15.8	
<b>Net income</b>	<b>59.1</b>	<b>51.2</b>		<b>27.9</b>	<b>29.8</b>	
Basic earnings per share, SEK	6.06	5.26		2.86	3.07	
Diluted earnings per share, SEK	6.02	5.26		2.80	3.07	
Average No. of shares, diluted, thousands	9,817	9,750		9,957	9,750	

## Quarterly Income Statements

SEK million	Oct.-Dec.	July-Sept.	April-June	Jan.-March	Oct.-Dec.	July-Sept.	April-June	Jan.-March
	2000	2000	2000	2000	1999	1999	1999	1999
<b>Sales</b>	<b>165.3</b>	<b>88.1</b>	<b>94.4</b>	<b>91.0</b>	<b>137.4</b>	<b>60.3</b>	<b>71.6</b>	<b>71.1</b>
Cost of goods sold	-27.1	-16.7	-19.7	-14.6	-27.6	-12.3	-12.2	-14.1
Marketing	-52.9	-32.4	-33.4	-28.7	-36.9	-26.5	-27.7	-22.9
Administration	-15.4	-15.3	-17.6	-12.5	-15.1	-5.4	-6.9	-7.4
Research and development	-28.6	-13.1	-14.8	-16.3	-15.0	-13.4	-12.0	-12.5
Other income and expenses	-2.4	5.5	0.8	-0.6	2.1	0.7	-0.3	-0.5
Amortization of goodwill	-1.3	-1.3	-1.2	-1.2	-1.9	-1.7	-1.7	-1.6
<b>Operating income</b>	<b>37.6</b>	<b>14.8</b>	<b>8.5</b>	<b>17.1</b>	<b>43.0</b>	<b>1.7</b>	<b>10.8</b>	<b>12.1</b>
Financial items, net	3.0	2.6	1.2	1.9	2.6	0.9	2.0	2.2
<b>Income after financial items</b>	<b>40.6</b>	<b>17.4</b>	<b>9.7</b>	<b>19.0</b>	<b>45.6</b>	<b>2.6</b>	<b>12.8</b>	<b>14.3</b>
Income taxes	-12.7	-5.9	-3.1	-5.9	-15.8	-0.8	-4.2	-3.3
<b>Net income</b>	<b>27.9</b>	<b>11.5</b>	<b>6.6</b>	<b>13.1</b>	<b>29.8</b>	<b>1.8</b>	<b>8.6</b>	<b>11.0</b>
Basic earnings per share, SEK	2.86	1.18	0.68	1.34	3.07	0.18	0.88	1.13
Diluted earnings per share, SEK	2.80	1.17	0.68	1.34	3.07	0.18	0.88	1.13
Average No. of shares, diluted, thousands	9,957	9,820	9,750	9,750	9,750	9,750	9,750	9,750

## Sales by region

SEK million	Jan.-Dec.	Jan.-Dec.	Oct.-Dec.	July-Sept.	April-June	Jan.-March	Oct.-Dec.	July-Sept.	April-June	Jan.-March
	2000	1999	2000	2000	2000	2000	1999	1999	1999	1999
Americas	191.9	141.2	62.1	40.6	43.8	45.4	51.3	27.4	37.1	25.4
Europe	139.1	116.2	46.5	32.5	30.9	29.2	50.5	23.2	17.2	25.3
Asia-Pacific	107.8	83.0	56.7	15.0	19.7	16.4	35.6	9.7	17.3	20.4
	<b>438.8</b>	<b>340.4</b>	<b>165.3</b>	<b>88.1</b>	<b>94.4</b>	<b>91.0</b>	<b>137.4</b>	<b>60.3</b>	<b>71.6</b>	<b>71.1</b>

**Biacore Consolidated Balance Sheets**

SEK million	December 31	
	2000	1999
Intangible assets	32.8	38.3
Property, plant & equipment	83.4	84.6
Long-term investments	68.0	17.2
Other long-term assets	22.8	15.8
Other current assets	169.0	172.4
Liquid funds	267.8	241.7
<b>Total assets</b>	<b>643.8</b>	<b>570.0</b>
Shareholders' equity	494.1	429.1
Provisions	54.4	44.5
Liabilities	95.3	96.4
<b>Total shareholders' equity and liabilities</b>	<b>643.8</b>	<b>570.0</b>

**Financial structure**

Operating capital	188.3	207.2
Long-term investments	68.0	17.2
Net interest-bearing assets	243.6	212.7
Net payable and deferred income tax liability	-5.8	-8.0
<b>Shareholders' equity</b>	<b>494.1</b>	<b>429.1</b>

**Biacore Consolidated Statements of Cash Flows**

SEK million	January-December	
	2000	1999
Net income	59.1	51.2
Less: Depreciation and amortization	19.4	17.9
Change in working capital	13.9	-36.8
Other	5.9	5.1
<b>Cash flows from operating activities</b>	<b>98.3</b>	<b>37.4</b>
Payments for purchase of businesses	-0.8	-13.9
Purchase of intangible assets	-	-0.2
Purchase of property, plant and equipment	-14.2	-22.9
Proceeds from sale of property, plant and equipment	1.5	0.6
Investment in shares etc.	-50.8	-7.5
<b>Cash flows from investing activities</b>	<b>-64.3</b>	<b>-43.9</b>
Change in current financial liabilities	-7.9	8.0
<b>Cash flows from financing activities</b>	<b>-7.9</b>	<b>8.0</b>
<b>Net change in liquid funds</b>	<b>26.1</b>	<b>1.5</b>

**Key figures**

Operating margin	17.8%	19.9%
Return on operating capital	39.4%	38.7%
Return on equity	12.8%	12.9%
Equity ratio	77%	75%
Shareholders' equity per share, diluted, SEK	49.66	44.01
No. of shares, thousands	9,750	9,750
No. of shares, end of period, diluted, thousands	9,950	9,750
Average No. of shares, diluted, thousands	9,817	9,750