



## INTERIM REPORT JANUARY – MARCH 2006

- Biacore continued to make progress in the first quarter of 2006. Overall sales increased by 19% to SEK 137.9 million (116.0). The higher than anticipated first quarter sales growth was driven by very strong performances in Europe and the Americas where sales increased by 53% and 41% respectively. Sales in Asia-Pacific declined. Excluding the effect of exchange rates, sales grew by 13% in the first three months of 2006.
- Operating income for the first quarter increased by 122% to SEK 30.9 million (13.9). This much improved operating performance was the result of the growth in sales, an improved gross margin and cost controls. The operating margin in the first quarter was 22.4% (12.0).
- Net income for the first three months of 2006 amounted to SEK 18.9 million (12.0). Diluted earnings per share were SEK 1.93 (1.24).
- Biacore still expects sales for the full-year 2006 to increase at approximately the same rate as in 2005. Operating income for the full-year is expected to grow at a faster rate than sales. As usual, the Company's performance will vary between the quarters.

The previous forecast stated: "The outlook for 2006 is for Biacore's sales to increase at approximately the same rate as in 2005 with modest growth in the first quarter. The operating margin for the first half of the year may decline as the Company further expands its sales and marketing infrastructure, yet it is expected to return to historic levels for the full-year 2006. As usual, the Company's performance will vary between the quarters."

	January – March		
	2006	2005	Change
Sales, SEK million	137.9	116.0	19%
Operating income, SEK million	30.9	13.9	122%
Operating margin, %	22.4	12.0	
Income after financial items, SEK million	27.6	14.9	85%
Net income, SEK million	18.9	12.0	58%
Earnings per share, SEK	1.93	1.24	56%

**Erik Walldén, President and CEO of Biacore**, commenting on today's announcement said: "I am very pleased that we have produced a strong start to 2006. First-quarter sales growth of 19% is a good achievement given that it followed our best-ever quarter in the final three months of 2005. The sales performance in both the U.S. and Europe was extremely gratifying and reflects the improved sales processes that we have introduced over the last twelve months. The lower sales we achieved in the Asia-Pacific region are due to the difficult year-on-year comparison and the changes that we are making in China in order to improve our access to this long-term growth market. Importantly, the first quarter also saw us make further progress in our strategic goal of increasing the proportion of revenues we generate from our industrial customer base. I am confident that 2006 will be another good year for Biacore."

## OPERATIONAL REVIEW JANUARY- MARCH 2006

*Amounts stated in this report relate to the Biacore Group, unless otherwise indicated. Figures in parentheses refer to the corresponding period in 2005.*

### Sales

Biacore delivered another satisfactory quarter in the first three months of 2006. Sales rose by 19% to SEK 137.9 million (116.0) due to extremely strong performances in both the Americas and Europe. Excluding the effect of exchange rates, mainly relating to a stronger U.S. dollar, sales grew by 13% during the period under review.

The highlight of the first quarter was the very strong growth seen in Europe. Sales over the period increased by 53% to SEK 48.8 million (31.8). This strong performance was driven by sales in Germany and the UK. As in the fourth quarter of 2005, the new Biacore®T100 made a very positive contribution, particularly with academic customers in the region.

The first quarter also saw a very strong performance in the American market. The sales increase to SEK 57.7 million (40.8) was the result of Biacore's expanded sales capabilities which have allowed the Company to gain greater market penetration with industrial customers. Biacore®T100 is continuing to show good growth with demand coming from both industrial and academic customers.

As of 2006, Biacore will report sales in Japan and in the rest of Asia-Pacific separately. Sales in Japan declined by 10% in the first quarter after a very strong performance in the corresponding period in 2005 and amounted to SEK 25.6 million (28.5).

In Asia-Pacific (excluding Japan), first quarter revenues declined by 61% to SEK 5.8 million (14.9). This decline reflects the strong first quarter of 2005 when Chinese demand was a major factor, and a much lower level of deliveries to the former distributor in China ahead of Biacore setting up its own direct sales capability in this important growth market. Biacore has now received a license to establish its own commercial operation in China, which is expected to be operational in the second quarter of 2006.

Sales were divided geographically as follows:

SEK million	January - March		
	2006	2005	Change
Americas	<b>57.7</b>	40.8	41%
Europe	<b>48.8</b>	31.8	53%
Japan	<b>25.6</b>	28.5	-10%
Asia-Pacific	<b>5.8</b>	14.9	-61%
Total	<b>137.9</b>	116.0	19%

### Income

The gross margin for the first quarter of 2006 increased to 80% (75), mainly as a result of increased sales and currency effects.

Total costs for marketing, administration and research and development in the first quarter amounted to SEK 79.2 million (73.7). Marketing costs in the period under review increased by 3%, whereas administration costs decreased by 15%.

R&D costs in the first quarter as reported amounted to SEK 25.1 million (18.6). These amounts include SEK 3.6 million (2.3) in amortization of capitalized development expenses. In the first quarter of 2006, a further SEK 2.8 million (5.1) of R&D expenditure was capitalized. Thus, before capitalization and amortization, R&D expenses in the first quarter increased by 14% to SEK 24.3 million (21.4).

Biacore's operating income in the first quarter was SEK 30.9 million (13.9). This resulted in an operating margin of 22.4% (12.0).

Net financial items amounted to SEK -3.3 million (1.0), mainly due to currency translation differences and forward rate premiums on hedging of intercompany loans.

Biacore achieved a net income of SEK 18.9 million (12.0) in the first quarter, leading to diluted earnings per share of SEK 1.93 (1.24).

### **Capital expenditures**

During the first quarter of 2006, Biacore's capital expenditures totaled SEK 2.6 million (4.8).

### **Personnel**

At the end of March 2006, Biacore had 283 (303) permanent employees.

## **BIACORE INVENTORS NOMINATED FOR "EUROPEAN INVENTOR OF THE YEAR AWARD" 2006**

The quality of Biacore's underlying technology platform has been recognized by the European Commission and the European Patent Office (EPO). Three Biacore employees were nominated for the "European Inventor of the Year Award" 2006, based on a Biacore patent, applied for in 1989 and granted in 1996, which relates to the commercialization of surface plasmon resonance, a technology which is fundamental to all of Biacore's systems. The Biacore inventors were nominated for this award by a prestigious, international panel of experts from industry, science and politics.

The award, which was presented for the first time in 2006, has been created by the European Commission and the European Patent Office (EPO) and is a distinction for inventors in any technical field who have made an outstanding contribution to innovation in Europe.

## **ACCOUNTING PRINCIPLES**

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

## **QUARTERLY SALES VARIATIONS**

Biacore's total sales during the period 2003-2005 were split between quarters as follows:

Quarter 1	20%	Quarter 3	23%
Quarter 2	24%	Quarter 4	33%

## **DIVIDEND**

The Board has decided to recommend to the Annual General Meeting an unchanged dividend for the 2005 financial year of SEK 3.00 per share.

## **OUTLOOK FOR THE FULL-YEAR 2006**

Biacore still expects sales for the full-year 2006 to increase at approximately the same rate as in 2005. Operating income for the full-year is expected to grow at a faster rate than sales. As usual, the Company's performance will vary between the quarters.

The previous forecast stated: "The outlook for 2006 is for Biacore's sales to increase at approximately the same rate as in 2005 with modest growth in the first quarter. The operating margin for the first half of the year may decline as the Company further expands its sales and marketing infrastructure, yet it is expected to return to historic levels for the full-year 2006. As usual, the Company's performance will vary between the quarters."

Uppsala, Sweden, May 4, 2006  
 BIACORE INTERNATIONAL AB (publ)

*Erik Walldén*  
 President and Chief Executive Officer

## REVIEW REPORT

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

Nothing has come to our attention which would cause us to believe that the interim report does not meet the requirements of the (Swedish) Securities Exchange and Annual Accounts Acts, and IAS 34.

Stockholm, May 4, 2006

PricewaterhouseCoopers AB

*Sten Håkansson*  
 Authorized Public Accountant

## FINANCIAL INFORMATION

Biacore's Annual Report was distributed to the shareholders in mid April. The Annual Report is also available on Biacore's website.

During 2006, Biacore plans to release its interim reports as follows:

January – June	Thursday, July 20
January – September	Wednesday, October 25

*Biacore is a global supplier of systems for protein interaction analysis, an area of increasing importance for scientists in the academic, pharmaceutical, biotechnology and diagnostic markets. The Company's systems generate unique data on the interactions between proteins and other molecules, including small molecules such as drug candidates. During research, development and production, these data give insights into protein functionality, elucidate disease mechanisms and play a key role in the critical decisions needed for efficient development and production of therapeutics.*

*Biacore's products are used in key areas such as antibody characterization, proteomics, lead characterization, immunogenicity, biotherapeutic development and production. The Company offers a range of products to meet specific application needs. Customers include leading life science research centers, all of the leading global pharmaceutical companies, and a large number of companies in the emerging biotechnology sector.*

*Biacore also markets food analysis solutions, providing key manufacturers with a system and ready-to-use kits for the determination of food quality and safety.*

*The company has its own direct sales capability in the world's key markets (United States, Europe, Japan, Australia) and a distribution network in Asia-Pacific.*

*Biacore was founded in 1984 and is listed on the [Stockholm Stock Exchange](#) (SSE:BCOR).*

*This report contains certain forward-looking statements which, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Accordingly, investors and shareholders are urged not to place undue reliance on these statements.*

**For further information, please contact:**

Erik Walldén, President and CEO, Phone +46 (0)702 252 270  
Lars-Olov Forslund, CFO, Phone +46 (0)702 252 727  
Jan Isoz, Investor Relations, Phone +46 (0)708 10 31 17

Biacore International AB (publ)  
Company registration number: 556534-5211

Head office  
Biacore International AB, Rapskatan 7, SE-754 50 Uppsala, Sweden  
Phone +46 18 67 57 00  
[info@biacore.com](mailto:info@biacore.com)  
[www.biacore.com](http://www.biacore.com)  
(SSE: BCOR; Reuters: BCOR.N)

SEK million	January-March			Full year
	2006	2005	Change	2005
<b>Sales</b>	<b>137.9</b>	<b>116.0</b>	19%	<b>569.0</b>
Cost of sales	-27.8	-29.3	-5%	-133.2
Marketing	-42.1	-40.9	3%	-166.2
Administration	-12.0	-14.2	-15%	-53.2
Research and development	-25.1	-18.6	35%	-98.0
Other income and expenses	-	0.9		2.4
<b>Operating income</b>	<b>30.9</b>	<b>13.9</b>	122%	<b>120.8</b>
Financial items, net	-3.3	1.0		-1.2
<b>Income after financial items</b>	<b>27.6</b>	<b>14.9</b>	85%	<b>119.6</b>
Income taxes	-8.7	-2.9		71.6
<b>Net income</b>	<b>18.9</b>	<b>12.0</b>	58%	<b>191.2</b>
Attributable to:				
Equity holders of the parent company	18.9	12.1		191.3
Minority interest	-	-0.1		-0.1
Basic earnings per share, SEK	1.94	1.24		19.62
Diluted earnings per share, SEK	1.93	1.24		19.60
No. of shares, average, diluted, thousands	9,810	9,751		9,763

**Shareholders' Equity**

At beginning of period	750.3	576.2		576.2
Employee stock options	1.2	1.5		2.0
Market valuation of available-for-sale financial assets	-	-0.1		0.1
Dividend	-	-		-29.3
Acquisition of minority interest	-	-		-0.7
Net income	18.9	12.0		191.2
Currency translation differences	-11.1	5.6		10.8
At end of period	759.3	595.2		750.3

**Quarterly Income Statements**

SEK million	Jan.-Mar.	Oct.-Dec.	July-Sept.	April-June	Jan.-Mar.
	2006	2005	2005	2005	2005
Sales	137.9	193.7	126.2	133.1	116.0
Cost of sales	-27.8	-42.5	-25.5	-35.9	-29.3
Marketing	-42.1	-50.0	-40.4	-34.9	-40.9
Administration	-12.0	-14.1	-9.7	-15.2	-14.2
Research and development	-25.1	-27.0	-25.0	-27.4	-18.6
Other income and expenses	-	-0.2	-2.0	3.7	0.9
Operating income	30.9	59.9	23.6	23.4	13.9
Financial items, net	-3.3	-1.0	-0.2	-1.0	1.0
Income after financial items	27.6	58.9	23.4	22.4	14.9
Income taxes	-8.7	-9.5	-6.9	90.9	-2.9
Net income	18.9	49.4	16.5	113.3	12.0
Attributable to:					
Equity holders of the parent company	18.9	49.4	16.5	113.3	12.1
Minority interest	-	-	-	-	-0.1
Basic earnings per share, SEK	1.94	5.07	1.69	11.62	1.24
Diluted earnings per share, SEK	1.93	5.06	1.69	11.61	1.24
No. of shares, average, diluted, thousands	9,810	9,767	9,781	9,759	9,751

**Sales by Region**

SEK million	Jan.-Mar.	Oct.-Dec.	July-Sept.	April-June	Jan.-Mar.
	2006	2005	2005	2005	2005
Americas	57.7	75.9	54.6	45.9	40.8
Europe	48.8	73.9	45.1	47.8	31.8
Japan	25.6	29.1	22.8	24.8	28.5
Asia-Pacific	5.8	14.8	3.7	14.6	14.9
	137.9	193.7	126.2	133.1	116.0

SEK million	March 31		Dec. 31
	2006	2005	2005
Intangible assets	61.9	76.8	63.9
Property, plant and equipment	108.4	107.2	111.0
Long-term investments	0.3	0.4	0.3
Other long-term financial assets	119.7	38.3	127.0
Other current assets	235.1	224.5	268.2
Short-term investments <sup>1</sup>	329.7	209.9	251.7
Cash and cash equivalents	104.7	154.5	157.9
Total assets	959.8	811.6	980.0
Shareholders' equity <sup>2</sup>	759.3	595.2	750.3
Long-term liabilities	82.3	88.0	81.7
Short-term liabilities	118.2	128.4	148.0
Total shareholders' equity and liabilities	959.8	811.6	980.0

**Financial Structure**

Operating capital	282.4	279.6	308.9
Long-term investments	0.3	0.4	0.3
Net interest-bearing assets	376.4	311.4	352.6
Net payable and deferred income tax asset	100.2	3.8	88.5
Shareholders' equity <sup>2</sup>	759.3	595.2	750.3

**Biacore Consolidated Statements of Cash Flows**

SEK million	January-March		Full year
	2006	2005	2005
Net income	18.9	12.0	191.2
Less: Depreciation and amortization	13.7	8.9	51.0
Less: Write-downs, reversal of write-downs, gains and losses	-4.1	-1.8	-15.7
Change in working capital	10.7	-3.9	-121.8
Other	-9.5	4.4	9.1
Cash flows from operating activities	29.7	19.6	113.8
Acquisition of minority interest	-	-	-2.1
Purchase of intangible assets	-2.8	-14.9	-16.4
Purchase of property, plant and equipment	-2.6	-4.8	-20.8
Sales of property, plant & equipment	-	-	0.1
Purchase of short-term investments <sup>1</sup>	-107.5	-159.6	-542.4
Sales and maturities of short-term investments <sup>1</sup>	30.0	107.9	450.7
Cash flows from investing activities	-82.9	-71.4	-130.9
Repayment of loans	-	-0.2	-2.2
Dividend	-	-	-29.3
Cash flows from financing activities	-	-0.2	-31.5
Net change in cash and cash equivalents	-53.2	-52.0	-48.6

**Key Figures**

Operating margin	22.4%	12.0%	21.2%
Return on operating capital	41.8%	20.7%	42.6%
Return on equity	10.0%	8.3%	28.9%
Equity ratio	79%	73%	77%
Shareholders' equity per share, diluted, SEK	77.41	60.97	76.86
No. of shares, thousands	9,750	9,750	9,750
No. of shares, end of period, diluted, thousands	9,809	9,751	9,762
No. of shares, average, diluted, thousands	9,810	9,751	9,763

<sup>1</sup> All short-term investments are interest-bearing.<sup>2</sup> Of which the minority interest was 0.0, 0.7 and 0.0, respectively.