

Cerep reports fiscal year end 1998 results

Paris, France, 16 April 1999 - Cerep SA (Nouveau Marché, CEREP), the French drug discovery company, today announced its consolidated results for the year ended December 31, 1998. Cerep reported full-year sales of FF 56.1 million (€ 8.6 million) which is an increase of 16% compared to 1997 sales of FF 48.4 million (€ 7.4 million). The net loss was FF 15.3 million (€ 2.3 million) compared to net income of FF 0.3 (€ 0,05 million) in 1997. All 1997 amounts have been restated to reflect the consolidation of Cerep's wholly-owned American subsidiary Cerep Inc, which have not been audited. Previous financial statements have not consolidated Cerep Inc and its financial results were reflected only as an exceptional provision. On an operating income basis, Cerep reported a loss of FF 17.3 million (€ 2.6 million) versus a profit of FF 3.2 million (€ 0.5 million) in 1997.

Thierry Jean, CEO, commented, "The loss is in range with management's expectations, and largely reflects the start-up costs of our High Throughput Lead Development (HTLD) activities based at Cerep Inc in Seattle. This development is critical to Cerep's strategy of offering a broad range of high-margin pharmacological and chemistry services and a complete drug discovery technological platform. The profitability of our established High Throughput Profiling (HTP), High Throughput Screening (HTS), combinatorial chemistry and molecular modeling activities is a strong indication of Cerep's ability to add new technologies and make them commercially successful. Our internal analysis tells us that the gross margin from these activities totaled FF 18.6 million (€ 2.8 million) in 1998, which is 33.2 % of our sales, versus FF 13.5 million (€ 2.1 million) in 1997, which is 27.9 %. These amounts are prior to allocation of headquarters' expenses which increased as a number of management positions were filled in 1998 and significant R&D expenses were incurred preparatory to drug discovery efforts."

The impact of Cerep Inc on the consolidated loss was approximately FF 14.8 million (€ 2.3 million). Of this amount, approximately FF 8.0 million (€ 1.2 million) were R&D expenditures. R&D expenses on a consolidated basis were approximately FF 21.8 million (€ 3.3 million) in 1998 compared to FF 9.4 million (€ 1.4 million) in 1997.

Mr. Jean added "Cerep Inc adds a third high-margin revenue generating source to our portfolio. The HTLD activities established there also allow us to partner in drug discovery efforts from the earliest stages of identification of molecules up to the selection of lead candidates. We expect sales of our HTLD services to come mid-way through 1999."

Besides the development of Cerep Inc, other expenses which contributed to Cerep's loss was the collaboration with ExonHit Therapeutics, a biotechnology firm specializing in safety assessment and target validation; the amortization of Cerep's license with Xenometrix Corporation, signed in mid-1998, which allows Cerep access to qualitative Gene Profiling; additional expenses incurred in the course of Cerep's introduction to the Nouveau Marché in February 1998. Investments in 1998, including the Xenometrix license, totaled FF 26.3 million (€ 4.0 million) versus FF 11.0 million (€ 1.7 million) in 1997.

"We are in the position to realize a high margin from the increased sales we expect in 1999 thanks to the efficient structure we have in place and from the ultra-High Throughput Profiling robotic system now operational which increases our production capacity markedly. We will be introducing a new integrated management and accounting system that will allow us to closely monitor and analyze all aspects of our operations and be an important addition to our decision making capabilities."

At year-end 1998, Cerep had FF 72.0 million in cash and cash equivalents (€ 11.0 million) versus FF 2.2 million (€ 0.3 million) at the end of the 1997. Financial debt stood at 20.3 million (€ 3.1 million) versus FF 11.4 million (€ 1.7 million) in 1997.

Cerep is a drug discovery company that focuses on finding new and effective drugs. The Company's mission is to develop integrated technologies and tools to overcome the current obstacles and challenges of the drug discovery process. Cerep assists pharmaceutical companies by incorporating all the facets of innovative technologies for the discovery of novel and effective drugs. In Europe and North America, the Company has developed an extensive R&D capacity in the areas of high-throughput profiling, lead development and screening, high-throughput organic synthesis and computational chemistry. Cerep has a unique business model combining revenue generating drug discovery services with strategic collaborations in drug discovery.

Statements included in this press release which are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbour provided by Section 21E of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words including "anticipates", "believes", "intends", "estimates", "expects" and similar expressions. The company cautions readers that forward-looking statements, including without limitation those relating to the company's future operations and business prospects, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. Factors that may affect future operations and business prospects include, but are not limited to, clinical and scientific results and developments concerning corporate collaborations and the company's proprietary rights and other factors described in the prospectus relating to the company's recent public offering.