

2002 consolidated results

Continued sustained growth

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Net sales and income

Consolidated net sales revenue for 2002 was EUR 34.50 million, up 24.7% from EUR 27.67 million in 2001.

Service activities generated net sales revenue of EUR 25.44 million in 2002, an increase of 25.6% from the previous year's EUR 20.26 million. The increase was particularly noticeable in the pharmacological profiling sector.

Net sales generated by strategic collaborations represented EUR 9.06 million compared to EUR 7.41 million in 2001, reflecting an increase of 22.2% despite the termination of BMS research funding in October 2002 (agreements were signed in 1999). This growth also reflected the signature of a multi-year BioPrint[®] agreement with the Pfizer pharmaceutical group in December 2002.

Cerep reported a consolidated net income of EUR 3.20 million for 2002, compared to EUR 2.40 million in 2001.

Net operating income increased to EUR 3.57 million in 2002 from EUR 2.01 million in the previous year.

Operating expenses

Operating expenses were EUR 32.10 million in 2002, compared to EUR 26.36 million in 2001, showing an increase of 21.8%, primarily attributable to the growth in wages and salaries and consumption of raw materials. Personnel expenses increased 19.9% in 2002 to EUR 15.65 million, from EUR 13.05 million in 2001. This reflected the increase in staff numbers, which rose from 271 at end 2001 to 330 at end 2002 in order to sustain the growth in sales and in R&D activities. Consumption of raw materials rose 39.9% to EUR 6.81 million in 2002, from EUR 4.87 million in 2001. This represented 19.7% of net sales revenue for 2002, compared with 17.6% in 2001. Particular efforts will be made in 2003 to reduce consumption through the use of new techniques and reorganization measures.

Research and development

Group R&D expenses were EUR 10.90 million in 2002, consistent with EUR 11.39 million for the previous year.

Other income

Financial income for the year was a negative EUR 0.37 million, compared to a positive EUR 0.26 million in 2001. The loss recorded in 2002 consisted of a net exchange loss of EUR 0.76 million, primarily attributable to the depreciation of the U.S. dollar against the euro in 2002, partially offset by investment income from liquidities and marketable securities of EUR 0.69 million. Interest expense on borrowings amounted to EUR 0.24 million in 2002. Also during that year, Cerep recorded a mark-down allowance of EUR 0.05 million on the value of its own shares held. In 2001, the Group recorded a net exchange gain of EUR 0.31 million and investment income of EUR 0.12 million. During the year 2002 the Group implemented a foreign currency hedging strategy to mitigate its exposure to fluctuations of the U.S. dollar against the euro and thereby hedge revenues provided by its operating activities.

Exceptional income was a negative EUR 0.01 million in 2002, compared to an exceptional loss of EUR 0.52 million in 2001, the Group having recorded no material items in 2002 other than write-off of fully depreciated equipment assets.

The research tax credit was EUR 0.03 million in 2002, compared to EUR 0.51 million in 2001. The research tax credit can be used to offset income tax due, or can be reimbursed four years after its recognition. As such, Cerep obtained reimbursement of EUR 0.37 million in 2002.

Cash position

At December 31, 2002, the Group's cash position (including marketable securities) amounted to EUR 20.51 million, compared to EUR 19.13 million at December 31, 2001. Working capital was EUR 28.79 million at end 2002, compared to EUR 24.71 million at the end of the previous year.

Borrowing and debt with financial institutions totaled EUR 9.54 million at end 2002, of which, EUR 4.95 million represented capital lease contracts relating to premises on the Poitiers site.

In addition, at the end of 2002, Cerep has a liability of EUR 0.92 million with ANVAR (Agence Nationale de Valorisation de la Recherche) and the French Ministry for Industry and Research.

Consolidated balance sheet and income statement (extracts)

Balance sheet (k€)	2002	2001
Long-term assets	11,367	7,264
Current assets	36,348	33,634
Total assets	47,715	40,898
Shareholders' equity	29,322	26,171
Provisions and accruals	377	355
Debt, payable and other liabilities	18,016	14,372
Total liabilities	47,715	40,898
Income statement (k€)	2002	2001
Net sales	34,503	27,668
Operating income	35,675	28,366
Operating expenses	32,101	26,356
Net operating result	3,574	2,010
Net financial result	-367	264
Net income before exceptional and tax	3,207	2,274
Net exceptional result	- 13	- 520
Income tax benefit	2	643
Consolidated net income	3,196	2,397

Highlights of 2002

- Substantial increase in net income with a continuing ambitious R&D program.
- Substantial enrichment of the BioPrint® database, which now contains approximately 2,000,000 data.
- Inauguration of new laboratories at Celle l'Evescault.
- Over 200 commercial partners including Aventis, BMS, Johnson & Johnson, Pfizer, Roche, Sanofi-Synthelabo, Sepracor and Solvay.
- Successful implementation of two research programs under the terms of our partnership agreement with Bristol-Myers Squibb (BMS), one in the inflammation domain concerning to ICAM/LFA-1 adhesion proteins, and the other relating to coagulation. The corresponding drug candidates identified were transferred to BMS. Commencement of clinical phase I for the product (inflammation) having reached the most advanced stage is scheduled during 2003. Cerep holds rights on products discovered within the framework of the research agreement, and will receive milestone payments and royalties on the sale of products subsequently marketed.
- Signature of two new research service agreements with Sanofi-Synthelabo. The first relates to the supply of a compound library originating from the Cerep combinatorial chemistry platform, and the second concerns access to Cerep's high throughput profiling technology.
- Signature of a scientific collaboration agreement with Roche. Under the terms of this contract, Roche will receive part of BioPrint® data, and Cerep will use predictive tools associated with BioPrint® on behalf of Roche, which will also have access to high throughput profiling facilities for determining the biological activity of certain of its compounds.

- Signature of an agreement with Pfizer providing for access to the BioPrint® database and associated pharmaco-IT tools. The agreement also covers the development and optimization of IT tools, and the supply of new, Pfizer-specific data by Cerep.
- Extension of the strategic collaboration agreement with Sanofi-Synthélabo for 2003.

Prospects for 2003

On the basis of an unchanged economic environment, Cerep anticipates a further increase in service activity sales of at least 25%, and a rise in total net sales of between 15 and 25%. The profiling agreement associated with BioPrint® concluded with Eli Lilly for 2003 will contribute to sustaining growth in the service sector.

Cerep also plans to continue self-financing its R&D activity, while maintaining a positive operating income position.

Research programs will continue at a sustained level in 2003. Development of BioPrint® will continue, and Cerep will use the database and associated models in its own research programs for drug candidates. These candidates will be licensed out to third parties at the point when they are ready to enter the clinical phases.

The Company also plans to initiate new drug discovery programs, both in collaboration with pharmaceutical and biotechnological partners on a strategic partnership basis and for its own account.

Cerep considers that its product which has reached the most advanced stage, resulting from collaboration with BMS in the inflammation domain, should commence clinical phase I during 2003, leading to the initial milestone payment by BMS as provided for in the contract.

Cerep's mission is to build a pipeline of drug candidates aimed to be licensed out at the beginning of clinical phases. The drug discovery effort is financed through profitable fee for service activities.

Cerep provides solutions allowing faster and cost effective drug discovery by identifying at early stages the most promising drug candidates as well as eliminating those compounds likely to fail in development. Cerep's integrated platform encompasses a complete range of technologies including chemistry, biology, and informatics.

Cerep's technologies benefit to more than 200 pharmaceutical and biotechnological companies worldwide including most of the top pharmaceutical firms.

Cerep's drug pipeline includes collaborative drug candidates developed with Bristol-Myers Squibb, Sanofi-Synthélabo and Sepracor, as well as products discovered on its own.

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 harbor 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 company's Document de référence.

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