

2003 consolidated results

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■ Sales revenue

2003 Consolidated sales revenues were EUR 34.12 million, and remained relatively stable compared to sales revenues of EUR 34.50 million in 2002. On a constant currency basis*, sales revenues would have increased 9.3% in 2003 from 2002.

Services generated revenues of EUR 29.52 million in 2003, an increase of 16.0% from EUR 25.44 million in 2002. On a constant currency basis, the increase would have been 28.8%. This growth is most apparent in pharmacological profiling activities and also noticeable in chemistry during the second half of the year.

Revenues from strategic partnerships amounted to EUR 4.60 million in 2003, which, compared to EUR 9.06 million in 2002, decreased 49.2%. This decrease resulted from the termination in October 2002 of funding by Bristol-Myers Squibb of research performed by Cerep under the terms of the strategic partnership agreement entered into in 1999. In the third quarter of 2003, Cerep received the first of the milestone payments provided by the terms of the agreement.

■ Results

Operating results

2003 consolidated operating result was a loss of EUR 0.99 million compared to a profit of EUR 3.57 million in 2002. Operating profit posted in 2002 reflected a non recurrent revenue from Pfizer under the terms of the Bio-Print® subscription agreement signed in December 2002.

The operating profit earned in the last quarter of 2003 (EUR 1.50 million) partly lessened the net operating loss incurred in the first nine months of the year.

Financial results

Net consolidated financial result for the year shows a profit of EUR 1.37 million in 2003 compared to a loss of EUR 0.37 million in 2002. The profit recognized in 2003 included net foreign currency exchange gains of EUR 1.28 million and revenues from cash and investments of EUR 0.58 million. Interest expense on debt amounted to EUR 0.50 million in 2003.

Foreign currency exchange gains are the result of the hedging strategy aimed at reducing the Group's exposure to fluctuations of the US dollar against the euro.

Consolidated exceptional result reflects a loss of EUR 0.02 million in 2003 compared to a loss of EUR 0.01 million in 2002.

Net income

Cerep's consolidated net result, which include a research tax credit, was a profit of EUR 0.46 million compared to a profit of EUR 3.20 million in 2002.

■ Operating expenses

Consolidated operating expenses totalled EUR 36.40 million in 2003, compared to EUR 32.10 million in 2002. This increase of 13.4%, results principally from a increase in material consumption (+31.5% at EUR 8.95 million), payroll and benefit expenses (+7.3% at EUR 16.80 million) and «Other supplies and external expenses» (+14.3% at EUR 7.07 million). The increase in payroll and benefit expenses was a result of the growth in headcount to 343 at the end of 2003 from 330 in 2002, aimed at handling in satisfactory conditions the increase both in service and R&D activities.

The fourth quarter of 2003 shows a significant decrease in material consumption, which represents 23.5% of the revenue for this period compared to 27.5% for the first nine months of the year.

Efforts put in during 2003 to reduce consumptions through the reorganisation of certain operations and by the implementation of new methods will be maintained in 2004.

* principally euro/dollar

■ Research and development

Research and development costs increased in 2003 to EUR 11.79 million compared to EUR 10.90 million in 2002.

The research tax credit amounted to EUR 0.14 million in 2003 compared to EUR 0.03 million in 2002. Research tax credits can be used to offset tax due or be reimbursed after the end of the fourth year following recognition. Cerep received EUR 0.99 million of such reimbursement in 2003.

■ Cash position

Net consolidated cash and equivalents (including investment in Cerep shares) at December 31, 2003 were EUR 20.52 million compared to EUR 20.51 million at December 31, 2002. Cash volume decreased in February 2004 after payment in cash for shares of Hesperion for an amount of EUR 10.2 million. Net cash and cash equivalents of Hesperion at December 31, 2003 were above EUR 2.7 million, and increased since then. Hesperion cash position will come in addition to Cerep net cash and equivalents.

Working capital was EUR 28.08 million at the end of 2003 compared to EUR 28.79 million at the end of 2002. At December 31, 2003, debt with financial institutions amounted to EUR 10.03 million of which EUR 3.57 million related to capital leases for extension of the facilities at the Poitiers site.

In addition, at December 31, 2003, advances of EUR 0.88 million are due to the French innovation agency ANVAR and to the French ministry of industry and research.

■ Summary consolidated balance sheet and income statement

Balance sheet (euro thousands)	2003	2002
Long term assets	12,959	11,367
Current assets	38,284	36,348
Total assets	51,243	47,715
Shareholders' equity	29,663	29,322
Provisions and accruals	462	377
Debt, payables and other liabilities	21,118	18,016
Total shareholders' equity and liabilities	51,243	47,715
Income statement (euro thousands)	2003	2002
Sales revenues	34,121	34,503
Other operating income	35,409	35,675
Operating expenses	36,397	32,101
Operating result	-988	3,574
Financial result	1,371	-,367
Net income before exceptional and taxes	383	3,207
Exceptional result	-17	-,13
Net tax profit	95	2
Net income	461	3,196

■ 2003 significant events

- On January 17, 2003, Cerep announced the signing of a strategic collaboration with Pfizer pertaining to BioPrint®. Under the terms of this agreement, Pfizer has access to BioPrint® data and related pharmaco-informatics tools. Cerep also produces, for the exclusive use of Pfizer, new BioPrint® data based on Pfizer proprietary compounds.
- On February 18, 2003, Cerep announced the signing of a major scientific agreement with Eli Lilly & Company. Under the terms of this agreement, Cerep and Lilly undertook an intensive profiling project to define the chemical space that is most suitable for use in discovering lead compounds active against important target classes. As part of the collaboration, Lilly will gain access to selected parts of Cerep's proprietary BioPrint® database.
- On September 16, 2003, Cerep confirmed the filing of an Investigational New Drug (IND) with the U.S. Food and Drug Administration (FDA) for a novel LFA-1 antagonist as a result of its collaboration with Bristol-Myers Squibb Company. The IND filing triggered the first milestone payment to Cerep in accordance with the terms of the strategic partnership agreement.

- On January 15, 2004, Cerep announced the acquisition of Hesperion, a company specialized in clinical development services, which employs approximately 130 professionals in Switzerland (Headquarters), the Netherlands and Israel, and generated sales revenues of approximately EUR 11 million in 2003. The transaction was finalized on February 9, 2004 by the payment of approximately EUR 10,2 million in exchange for all outstanding shares of Hesperion. Cerep will include Hesperion in its scope of consolidation for 2004.
- On February 12, 2004, Cerep announced the renewal and significant expansion of the major scientific agreement signed with Eli Lilly & Company in 2003. Lilly and Cerep originally entered into this collaboration in 2003 for one year as a proof of concept. The renewal and expansion of this agreement in 2004 validates the application of large scale profiling in early drug discovery, pioneered by Cerep through its BioPrint® approach. It also illustrates the quality of Cerep's services in data generation and data management.
- The strategic partnership agreement signed with Sanofi-Synthelabo in December 1997 was renewed for 2004.

■ Outlook for 2004 - Reminder

On the basis of an unchanged economic environment and in spite of the worsening of the euro/dollar exchange rate in 2004 compared to the average rate of exchange incurred in 2003, Cerep expects for 2004 a global increase of about 45% in sales revenues, which represents an increase of 10 to 15% on a proforma basis (including Hesperion).

Gains in productivity and the effect of persistent measures in 2003, already noticeable during the fourth quarter of 2003, allow Cerep to anticipate an operating profit for the year 2004 (assuming an unchanged economic environment).

Cerep's net revenues in US dollar were hedged against exchange risk for the year 2004 (at a target protected rate of 1.15). A small portion of Hesperion's revenues are in US dollar and are not included in the hedging strategy.

■ Nomination in the management team

Sophie Macault has been nominated General Counsel & Corporate Secretary for the Group, reporting to the CEO. In addition to the management of the legal department operations, she provides hands-on counsel to the other members of the Strategic Committee and is responsible for protecting the company in all its operations linked to the growth and development of the Group.

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. With the acquisition of Hesperion, finalized in February 2004, the Group adds Clinical development services to its platform.

Cerep's technologies benefit to more than 290 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 and Sanofi-Synthelabo, 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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