

Half year 2004 consolidated results

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■ Consolidated sales revenues

For the first half of the year, the Group earned consolidated sales of EUR 24.16 million, compared to EUR 14.91 million for the same half year in 2003, thereby reflecting an increase of 62.0% (+18.6% pro forma). On a constant currency basis, consolidated sales revenues for the period would have increased 70.0% (+24.5% pro forma).

During this half year, Cerep's sales revenues from drug discovery services and collaboration activities were EUR 17.85 million, an increase of 19.7% from EUR 14.91 million for the same period in 2003. On a constant EUR/US dollar basis, this increase would have been 26.1%.

For the same period, clinical services activities generated consolidated sales revenues of EUR 6.30 million, reflecting an increase of 15.4% (20.2% on a constant EUR/Swiss franc basis) compared to half year 2003 pro forma sales revenues of EUR 5.46 million.

■ Results

The consolidated operating result for the first half of 2004 was an operating profit of EUR 0.81 million compared to an operating loss of EUR 2.28 million for the same period in 2003. These good results reflect notably the effect of efforts initiated in 2003 aimed at improving productivity of drug discovery services activities.

The Group's consolidated financial result was a profit of EUR 0.45 million for the first half of 2004, compared to a profit of EUR 0.43 million for the same period in 2003. These figures include a net foreign currency exchange gain of EUR 0.59 million for the first half of 2004, and a gain of EUR 0.52 million in 2003.

For the six months ended June 30, 2004, consolidated net result was a profit of EUR 1.32 million, compared to a loss of EUR 1.90 million for the half year ended June 30, 2003.

Cerep consolidated key figures are summarized below:

K€	1st Half year 2004	1st Half year 2003
Sales revenues	24,155	14,914
Operating result	807	<2,280>
Financial result	449	425
Net result before exceptional and taxes	1,256	<1,855>
Exceptional result	59	<38>
Income tax	<213>	2
Goodwill amortization	213	-
Net result	1,315	<1,895>

■ Research and development costs

Research and development costs (R&D) for the Group during the first six months in 2004 remained at a level consistent with the same period last year, at EUR 5.43 million compared to EUR 5.76 million for the first half of 2003. These costs are fully expensed to the income statement.

■ Cash position

After completion and payment for the acquisition of Hesperion, the Group's consolidated cash and cash equivalents (including Hesperion – excluding Cerep shares held and related cash) were EUR 18.66 million at June 30,

2004, which remains relatively stable compared to EUR 17.53 million at March 31, 2004, EUR 20.35 million at December 31, 2003 and EUR 20.89 million at June 30, 2003.

Consolidated operating activities for the first half of 2004 generated positive cash flows of EUR 7.28 million, compared to EUR 2.18 million of cash flows from operating activities for the same period in 2003. Fixed assets acquired during the first six months in 2004 were financed on the Group's own funds for EUR 0.31 million, using financial leases for EUR 0.17 million and through medium-term borrowings for EUR 0.43 million.

■ Significant events

- The strategic partnership agreement with Sanofi-Synthelabo entered into in 1997 was renewed for 2004.
- The strategic collaboration with Pfizer pertaining to BioPrint® initiated in 2003 continued into 2004.
- Most significant Cerep service agreements were renewed for 2004.
- On February 12, 2004, Cerep announced the renewal and the expansion of the scientific partnership agreement signed with Eli Lilly & Company for 2003. Lilly and Cerep originally entered into this collaboration for one year as a proof of concept. Cerep and Lilly extended the intensive profiling program to define the chemical space that is most suitable for use in discovering lead compounds active against targets of therapeutic interest.
- In 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. The transaction was finalized on February 9, 2004 by the payment of approximately EUR 10 million in exchange for all outstanding shares of Hesperion. The sale agreement is retroactive as of January 1, 2004. Cerep considers that effective control existed as of that date and consequently Hesperion is part of the scope of consolidation effective January 1, 2004.
- On May 25, 2004, Cerep announced its project to acquire MEL (Molecular Engines Laboratories). MEL is a French biotechnology company founded in 2000 that developed an innovative approach in cancer treatment. Its scientific founders evidenced that some cancer cells can spontaneously lose their malignant phenotype. This rare phenomenon called tumor reversion could happen at a rate of one per million cancer cells in different cancer types. It also stops tumor cells growth. Since its creation MEL has developed several tumor reversion models and identified numerous genes involved in this phenomenon. A proof of principle Phase II clinical trial is ongoing to validate MEL's approach on patients suffering with cancers. The company has also identified several chemical leads acting on targets involved in tumor reversion. These products are being optimized.

This acquisition was contingent to condition precedent that included the prior refinancing of MEL, a significant reduction in liabilities and the commitment to obtain 100% of outstanding shares, all of which were fulfilled by July 9, 2004. Cerep will proceed with this acquisition in the course of the second half of 2004, by issuance of new shares or, should Cerep's shareholder's general assembly not approve the capital increase, in cash (for a price estimated between EUR 3.6 and EUR 4.8 million).

■ Recent developments

Recently, Cerep took the decision to move its headquarters and laboratories located in Rueil-Malmaison by the end of the three-year period of its current real-estate lease (October 2005). The Group is currently evaluating the impact of this event on its consolidated balance sheet, income statement and cash flows.

With the acquisition of MEL, which Cerep expects to finalize within the few coming weeks, Cerep accesses new research programs, one of which consists in a product in a Phase II clinical trial *. Consequently, Cerep is currently reviewing its portfolio of drug discovery programs in order to reassess its priorities in terms of development and investment for 2005.

* In 2003, MEL showed that drugs commercialised for the treatment of non cancer pathologies were able to induce tumour reversion. A proof of principle Phase II clinical trial in acute myeloid leukaemia patients resisting to any other treatment, is ongoing.

■ Outlook

On the basis of an unchanged economic environment and in spite of a worsening euro/dollar exchange rate in 2004 compared to the average rate of exchange observed in 2003, Cerep anticipates a growth in consolidated sales revenues for 2004 in excess of 10% compared to 2003.

Excluding the impact of the acquisition of MEL and possible liabilities to be recognized in connection with the move of activities currently located in Rueil-Malmaison (in the process of evaluation), Cerep expects its operating result to remain positive through the second half of the year 2004.

Cerep's mission is to provide pharmaceutical companies with high quality services in drug discovery and drug development as well as drug candidates from proprietary and partnered R&D programs.

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 300 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, 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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