

2005 consolidated results

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■ Consolidated sales revenues

Consolidated sales revenues for the year 2005 grew 3% to EUR 52.89 million compared to EUR 51.34 million in 2004.

During the year, Cerep earned sales revenues from drug discovery service and collaboration activities of EUR 36.05 million compared to EUR 37.35 million in 2004, thereby reflecting a decrease of 3.5%. This decrease reflects the reduction in revenue of EUR 1.68 million of in vivo pharmacology activities ceased in June 2005.

For the same period, clinical service activities grew continuously to total sales revenues of EUR 16.84 million, reflecting a strong increase (+20.3%) compared to EUR 13.99 million earned in 2004.

■ Result before financial and tax items

The consolidated result before financial and tax items for the year 2005 is a loss of EUR 5.91 million, compared to a profit of EUR 0.79 million for the same period in 2004.

This result reflects expenses relating to drug discovery, which were larger in 2005 than in previous years, and notably over EUR 4 million devoted to the Group's research program in the field of cancer.

It also includes non-recurring expenses and provisions of EUR 3.70 million, of which approximately EUR 2 million attributable to the closing of the in vivo pharmacology activities and around EUR 1.2 million related to the transfer of chemistry activities to the new site of Villebon-sur-Yvette.

In 2005, Hesperion contributed a positive EUR 0.74 million to the Group result.

■ Net expenses

Net consolidated expenses reached EUR 59.27 million in 2005 compared to EUR 51.13 million in 2004, an increase of 15.9%. EUR 42.78 million originated from drug discovery service and collaboration activities. These include EUR 7.10 million of raw material and supply consumption in drug discovery service and collaboration activities, a decrease of 4.7% compared to consumptions in 2004. Personnel and related expenses increased 20.7%. Half of this increase reflects the inclusion of Cerenis employees and severance and related expenses for personnel involved in the restructuring plan. The other half represents hires as part of the development of clinical activities. «Other supplies and external expenses» and «Other expenses» increased globally by 28.0%, reflecting the inclusion of Cerenis and expenses linked to the transfer of site and the restructuring plan that occurred during the year.

■ Net income

Cerep consolidated result, after a financial result of EUR -0.51 million and a net tax expense of EUR 0.27 million, was a loss of EUR 6.69 million compared to a profit of EUR 2.76 million in 2004.

■ Research and development

Research and development costs incurred in 2005 amounted to an estimated EUR 15.08 million, a strong increase (26.7%) from an estimated EUR 11.91 million euros in 2004. This increase reflects principally R&D efforts devoted by the Group to the oncology program.

The research tax credit amounted to EUR 0.39 million in 2005 compared to EUR 0.80 million in 2004.

■ Cash position

The Group's cash and cash equivalents (including Hesperion and excluding treasury shares) amounted to EUR 15.75 million at December 31, 2005 compared to EUR 17.44 million at September 30, 2005 and to EUR 16.62 million at December 31, 2004. The change in cash volume resulted from cash used in operations before interest and taxes of EUR -2.47 million, a net change in working capital of EUR 5.04 million, net cash flows used in investing activities of EUR 2.12 million, and net cash flows used financing activities of EUR -1.02 million.

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■ Consolidated balance sheet and income statement items

Key financial information (in euro, thousands)	2005	2004	Change
Net sales revenue	52,887	51,342	+3.0%
Drug discovery service and collaboration	36,052	37,348	-3.5%
Clinical services	16,835	13,994	+20.3%
Total revenues	53,360	51,921	+2.8%
R&D	15,083	11,907	+26.7%
Result before financial and tax items	-5,908	+794	
Drug discovery service and collaboration	-6,645	+447	
Clinical services	+737	+347	
Financial result	-510	+750	
Net income tax expense/profit	-274	+1,220	
Net result of consolidated companies	-6,692	+2,764	
Goodwill	14,014	9,189	
Tangible assets	24,963	11,185	
Other non-current assets	2,881	2,820	
Inventory and products in progress	3,861	3,474	
Trade receivables and related	17,664	16,486	
Cash position (cash and marketable securities)	15,754	16,620	
Shareholders' equity	31,131	32,048	
Financial debt	22,215	9,792	
Retirement obligation and provision for risks	2,748	1,171	
Deposits and advances from customers	13,694	9,885	
Trade payables and related	4,672	3,795	
Total assets	83,646	63,874	

■ Significant events in 2005

- The strategic collaboration agreement entered into with Sanofi-Aventis in 1997 was renewed for 2005. At the end of the year, the Research phase of the collaboration ceased with Cerep delivering drug candidates to its partner.
- The strategic collaboration on BioPrint® signed with Pfizer in 2003 and renewed in 2004 was extended for 2005 and will last into 2006.
- The major scientific partnership agreement signed in 2003 with Eli Lilly & Company and renewed in 2004 continued through 2005 and will continue through 2006.
- In December 2005, Cerep announced the entry into phase I of a second LFA-1 antagonist discovered during the collaboration with Bristol-Myers Squibb. This represented the second success of this partnership. The first compound identified by the partners entered clinical phase I in the second half of 2003 and started phase II of clinical trial during the first quarter of 2005. Milestones payments are associated to the success of these programs. In addition Cerep will receive royalties on sales when a compound reaches the market*.
- In December 2005, Cerep also reported encouraging interim results of Phase I/II trials for its anti cancer drug. (see our press release dated December 20, 2005). These trials are carried out by Cerep's 100% subsidiary -Cerenis- which acquisition was finalized on January 7, 2005.
- The major service agreements concluded by Cerep during the past two years were all renewed for 2006.
- The *in vivo* pharmacology activity was closed during the year. As of the month of June 2005, Cerep did not generate any revenue from this activity.
- Chemistry activities, located in Rueil-Malmaison were transferred to Villebon-sur-Yvette in the second half of the year. Facilities in Villebon were acquired by Cerep and financed through a real-estate financial lease.
- Cerep's headquarters were transferred to Paris.

* subject to the successful completion of the clinical trials



■ Outlook

In a particularly challenging environment, Cerep faced at the beginning of 2005 a weakening in sales from drug discovery service and collaboration activities. A new commercial policy implemented in the course of the same period produced benefits during the year. As a result, *in vitro* profiling activities increased throughout the year to exceed, in the second half of the year, revenues observed for the same period in 2004.

On the basis of an unchanged economic environment, Cerep anticipates for 2006 a global increase in sales revenues of 5- to 15% along with a gain in margins of service activities.

Also in 2006, the Company will seek industrial partners for its internal drug discovery programs and will maintain its R&D investments devoted to oncology programs.

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Cerep's mission is to provide pharmaceutical companies with high quality services in drug discovery and drug development as well as drug candidates at different preclinical and clinical stages. 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 360 pharmaceutical and biotechnological companies worldwide including most of the top pharmaceutical firms. Cerep's drug pipeline includes collaborative drug candidates developed with Sanofi-Aventis and Bristol-Myers Squibb (with two compounds in clinical trials for immuno-inflammatory disorders), as well as products discovered on its own (including one compound in phase I/II clinical trial in the field of cancer). Cerep's development strategy aims at self-financing its research.

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.