

First half-year 2006 consolidated sales revenues

Paris, France, August 11, 2006 – press release 2006/07

■ Quarterly and half-year sales revenues (consolidated)

Second quarter 2006

Cerep (Eurolist : Cerep) second quarter consolidated sales revenues reached EUR 10.70 million, compared to EUR 12.18 million for the second quarter 2005, reflecting a decrease of 12.2%.

During the second quarter of 2006, drug discovery services and collaboration activities generated sales revenues of EUR 6.57 million, from EUR 8.09 million for the second quarter 2005, a decrease of 18.8%. This decline in sales revenues originates on one hand from the termination of *in vivo* pharmacology activities and of payments received for the research phase of the partnership with Sanofi-Aventis signed in December 1997, which, in the second quarter of 2005, amounted to a total of approximately EUR 1 million in revenues, and on the other hand by a significant bend in chemistry sales since the beginning of the year.

Sales revenues of clinical services increased slightly at EUR 4.13 million for the second quarter 2006, from EUR 4.09 million for the same quarter in 2005. It does not include revenues from several contracts for which services were performed during the period but revenues will be recorded in future quarters due to strict and conservative rules applicable to revenue recognition.

First half-year 2006

During the first half of 2006, Cerep earned sales revenues from drug discovery services and collaboration activities of EUR 15.50 million, compared to EUR 16.61 million in 2005, thereby reflecting a decrease of 6.7%. Excluding sales revenues from *in vivo* pharmacology ceased in June 2005 and payments for research as part of the drug discovery partnership contracted with Sanofi-Aventis¹, drug discovery services and collaboration activities would have reflected an increase of 5.6%. The increase thereby identified stems primarily from the signing of a BioPrint[®] license agreement recently signed with AstraZeneca and from the well-performing *in vitro* pharmacology activities, which demonstrate the success of the new commercial strategy. In the first half of the year, the company maintained its policy of reduced prices of pharmacology services; concurrently, activity volumes increased approximately 22%². Cerep also recognized the first commercial successes of its kinase platform launched at the end of 2005 with a strong increase in the number of data points generated for these assays, which sales should further grow in volume through the second half of 2006.

For the same period, sales revenues from clinical service activities amounted to EUR 8.39 million, a significant increase (+9.2%) from EUR 7.68 million earned in the same period in 2005.

¹ These payments ceased at the end of the research phase, in December 2005. Together with revenues from *in vivo* pharmacology for the half year, they amounted to a total of EUR 1.93 million.

² Number of data points generated over the six months, excluding Lilly contract which remained stable between 2005 and 2006.

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.

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For the six months ended June 30, 2006, total sales revenues reached EUR 23.88 million compared to EUR 24.29 million in 2005, with an almost complete catch up of lost revenues relating to a ceased activity and to the end of the research phase of the partnership with Sanofi-Aventis. Adjusted for this loss of revenues, growth in sales would have been 6.8% for the first half of 2006 compared to the same period last year.

■ Result before financial and tax items

For the second quarter of 2006, the consolidated result before financial and tax items is a loss of EUR 3.59 million compared to a loss of EUR 1.90 million in 2005.

The consolidated result before financial and tax items for the six months ended June 30, 2006, is a loss of EUR 3.97 million, compared to a loss of EUR 4.09 million for the first half of 2005. This result includes charges relating to the Group's oncology program in the amount of approximately EUR 2.5 million.

During this half-year, Cerep also continued to invest in the development of new products and services. 26 new kinase assays were developed, bringing their total over 110; in addition, Cerep initiated the development of a platform of functional assays; 52 assays are operational as of today, with a goal of 75 validated assays by the end of the year. As part of this new platform, the Company filed a patent for its technology in order to protect its original approach.

Concurrently, 11 new libraries, comprising a total of 15,800 original compounds, were developed and are marketed.

■ Cash position

The Group's cash and cash equivalents (including Hesperion and excluding treasury shares) amounted to EUR 11.79 million at June 30, 2006, compared to EUR 13.22 million at March 31, 2006.

■ Sales revenues by operating segments and net results before financing and tax items

Sales revenues (euro thousands)	1 ^{er} Half-year			1 ^{er} Quarter		
	2005	2006	Change	2005	2006	Change
Drug discovery services & collaborations	16,609	15,497	-6.7%	8,091	6,568	-18.8%
Clinical services	7,679	8,387	+9.2%	4,088	4,129	+1.0%
Total sales revenues	24,288	23,884	-1.7%	12,179	10,697	-12.2%
Consolidated net results before financing and tax items	-4,086	-3,970	-	-1,903	-3,590	-

■ Recent events

LFA-1 Program

Bristol-Myers Squibb (BMS) has recently informed Cerep of its decision to abandon the development of the LFA-1 compounds after interim analysis of the drugs effects. As provided by the terms of the contract, Cerep has an option to pursue the programs or to licence them out to third parties. The Group will make a decision in the coming months after reviewing of the clinical results to be transferred to Cerep by BMS.

BioPrint® agreement signed with AstraZeneca

Under the terms of the agreement, AstraZeneca has non-exclusive access to physicochemical, pharmacological and clinical data on BioPrint® compounds as well as to associated informatics tools. AstraZeneca uses BioPrint® to support internal drug discovery and development.

Payment of the license fee has been recognized upon acceptance of the data and IT tools delivered by Cerep in the first quarter 2006.

Collaboration agreement signed with Servier

Cerep and Servier recently announced the signing of three new collaboration agreements.

Under the terms of the first two research agreements Cerep will employ its know-how and technologies in high-throughput screening and medicinal chemistry to identify new molecules for the development of innovative drugs in two research programs. The third agreement signed provides for the use of BioPrint® for Servier with the aim to characterize drug candidates selected by Servier in order to identify those with the best chances of success in clinical development.

Change in corporate name

The company Cerenis, Cerep's wholly-owned subsidiary specialized in oncology, change its corporate name to become Anceris.



■ Outlook 2006

Adjusted for revenues linked to *in vivo* pharmacology and for the financing of the research phase of the agreement contracted with Sanofi-Aventis, growth in sales revenues for the year is expected between 5- and 10%, excluding exceptional events or agreements recorded during the year. Achievements of the *in vitro* pharmacology activity and the expected increase in revenues from pre-clinical activities form encouraging signs of regained growth.

Cerep is working on new models of valuation and marketing of chemistry services, as illustrated by the agreements recently signed with Servier.

Growth in clinical services should reach approximately 10% over the year; although significant, this performance is below previous expectations due to the early discontinuation of an international clinical testing decided by the sponsor after interim analysis of the drug's efficiency.

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► **First half-year 2006 full information will be disclosed on September 30, 2006.**