

First half-year 2006 consolidated results

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■ Consolidated sales revenues

During the first half of 2006, Cerep recorded sales revenues from its drug discovery service 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. Chemistry activities, in contrast, suffer from intensified Asian competition and revenues for the period decreased significantly from 2005.

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.

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 in 2005.

■ Group Results

Result before financial and tax items

Consolidated net result before financing and tax items for the six months ended June 30, 2006 was a loss of EUR 3.97 million, compared to a loss of EUR 4.08 million for the first half year 2005.

This result reflects expenses relating to the Group's oncology program for an approximate amount of 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 objective 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.

Financial result

Net consolidated financial result for the half year is a loss of EUR 0.48 million, compared to a profit of EUR 0.01 million for the same period in 2005. The 2006 financial result reflects the increased indebtedness – real-estate financial leases – and a net loss from foreign exchange of EUR 0.21 million due the volatility of the US dollar over the period³.

Net result

For the first six months of the year, consolidated net result is a loss of EUR 4.16 million compared to a loss of EUR 3.94 for the first six months in 2005. This half year 2006 loss amounts to EUR 3.92 million in drug discovery service and collaboration activities and EUR 0.24 million for in clinical service activities, compared to net losses of EUR 3.81 million and EUR 0.13 million, respectively, for the first half of 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.

³ The USD budget .exchange rate of 1.25 USD for 1 euro was during the first part of the year above market rates. This position reversed at the end of the first half of the year.

Summarized key consolidated balance sheet and income statement items:

Sales revenues (euro thousands)	1st half-year. 2005	1st half-year 2006	Change
Drug discovery services & collaborations	16,609	15,497	-6.7%
Clinical services	7,679	8,387	+9.2%
Total sales revenues	24,288	23,884	-1.7%
Consolidated net result before financing and tax items	-4,083	-3,970	-
Financial result	11	-483	-
Income tax	-129	-291	-
Net result	-3,943	-4,162	-

■ **Research & development**

Research and development (R&D) costs for the group amounted to EUR 6.75 million for the first half of 2006 (i.e. 28.3% of sales revenues) compared to EUR 7.23 million for the same period in 2005 (i.e. 29.8% of sales revenues). The decrease is principally attributable to the end of the research phase of the R&D programs carried out with Sanofi-Aventis. These costs are fully expensed to the income statement.

■ **Cash position**

The Group's cash position (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.

Activity for the first half of 2006 generated negative cash flows of EUR 2.01 million, principally due to the weak chemistry activities and to expenses relating to the oncology program. Investments for the period were financed through financial leases for EUR 1.60 million and medium-term debt for EUR 0.14 million. EUR 0.86 million will be rebilled to the financial lease institutions. Financing activities relate primarily to debt repayment for a total cash flow of EUR -1.6 million.

■ **Recent events and developments**

Research programs

Phase I/II clinical trials continue with the first compound identified by Anceris for the treatment of cancer. In order to secure long term financing of projects and optimize chances of success in Anceris' programs, the company will seek industrial for financial partners.

Recent events

In August of 2006, Cerep announced the acquisition by Hesperion Ltd, its 100% subsidiary, of TouchStone Research Inc., an American clinical service company based in Gaithersburg, Maryland.

The acquisition of TouchStone Research, Inc. is a new step that will allow Hesperion to strengthen the coverage and the nature of its services in this geographical area. The acquisition is made in cash. The transaction includes an immediate initial cash payment of 3 million USD and up to 7 million USD in additional cash payments to be made within two years following the acquisition date, upon achievement of certain milestones, based on earn-out clauses and retention of key staff. To date, Hesperion owns 100% of Touchstone Research outstanding shares which will merge with Hesperion, Inc. TouchStone Research, Inc. brings Hesperion its genuine US experience. The merger between Hesperion, Inc. and TouchStone Research allows the group to reach a critical size for international clinical trials and will create new opportunities to present a convincing service offering, particularly in cardiovascular diseases, oncology and long-term partnerships.

More recently, Dr. Markus H. Weissbach was appointed Chief Executive Officer of Hesperion in replacement of Dr Vincent Charlon, who leaves the Group to pursue other projects. Dr. Markus Weissbach joined Hesperion in October 2004 from a 20-year experience in clinical trials acquired in the pharmaceutical industry and in clinical service companies. Before joining Hesperion, Dr. Weissbach held several management positions with ICON, a clinical research company. He was notably President of ICON Europe between 1998 and 2003, and responsible for the rapid growth of this group in Europe.

Cerenis, the 100%-owned subsidiary of Cerep specialized in oncology, changed its name to become Anceris.

■ **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 license 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.

- **Reminder of 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.

Also, 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, excluding the contribution of TouchStone Research; 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. The effect of this decision represents less than 10% of Hesperion's sales revenues for the current year.

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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, 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.