

Third quarter 2006 consolidated results

Results improve in the second half of the year

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■ Sales revenues

Third quarter 2006

Cerep (Eurolist : Cerep) consolidated sales revenues reached EUR 13.02 million in the third quarter of 2006, reflecting a decrease of 3.2% compared to EUR 13.45 million earned the third quarter of 2005, and an increase of 21.7% compared to second quarter 2006.

In the third quarter of 2006, drug discovery service and collaboration activities generated sales revenues of EUR 7.71 million, compared to EUR 8.77 million in the third quarter of 2005, thereby reflecting a decrease of 12.1%. Over half of this decrease is attributable to the ending of payments received in connection with the research phase of the partnership with Sanofi-Aventis entered into in 1997.

Sales revenues in clinical service activities reflected again a strong growth (+13.3%) to EUR 5.31 million in the third quarter of 2006, compared to EUR 4.68 million in the same quarter in 2005. Third quarter 2006 includes revenues earned by TouchStone Research, Inc.¹ in September 2006, which amount was not significant.

First nine months in 2006

At September 30, 2006, consolidated sales revenues reached EUR 36.90 million compared to EUR 37.74 million for the same period in 2005, thereby reflecting a decrease of 2.2%. Excluding revenues from *in vivo* pharmacology which activity ceased in June of 2005 and payments associated with the research phase of the partnership with Sanofi-Aventis, Cerep's consolidated revenues show an increase of 4.8%, in line with the guidance disclosed by the Group.

During the first nine months of the year, Cerep earned sales revenues from drug discovery service and collaboration activities of EUR 23.21 million compared to EUR 25.38 million for the same period in 2005, thereby reflecting a decrease of 8.6%. Restated to exclude lost revenues associated with the closing of *in vivo* pharmacology in June of 2005 and the end of the research phase of the partnership with Sanofi-Aventis, revenues from these activities increased 1.6%.

For the same period, clinical service activities totalled sales revenues of EUR 13.70 million, reflecting an increase of 10.8% compared to EUR 12.36 million earned in 2005, in line with growth expectations for this activity in 2006.

■ Result before financial and tax items

For the third quarter in 2006, the consolidated result before financial and tax items is a loss of EUR 0.43 million compared to a loss of EUR 0.57 million for the same quarter in 2005.

Over the quarter, Hesperion improves significantly its positive contribution to results, bringing its result before financial and tax items to EUR 0.88 million in 2006 from EUR 0.59 million in 2005, thereby reflecting an increase of 49%.

The consolidated result before financial and tax items result for the nine months ended September 30, 2006 is a loss of EUR 4.40 million, compared to a loss of EUR 4.66 million for the same nine months in 2005. This result reflects expenses relating to drug discovery, of which approximately EUR 3.5 million devoted to the Group's research program in the domain of cancer.

Since the beginning of the year, Cerep also continuously invested significantly in the development of new products and services.

¹ An American CRO of approximately 30 associates which Hesperion acquired in cash in August 2006. The first payment in the amount of USD 3 million was made out of Hesperion's funds. Effective September 2006, Touchstone Research became Hesperion US, Inc.

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■ Cash position

The Group's cash and cash equivalents (including Hesperion and excluding treasury shares) amounted to EUR 8.46 million at September 30, 2006, compared to EUR 11.79 million at June 30, 2006.

■ Breakdown of consolidated sales revenues and consolidated result before financial and tax items

Sales revenues (EUR thousands)	Third quarter		Change
	2005	2006	%
Drug discovery services and collaborations	8,770	7,712	-12.1%
Clinical services	4,684	5,309	+13.3%
Total	13,454	13,021	-3.2%
Consolidated result before financial and tax items	-572	-427	-

■ Outlook

Third quarter revenue achievements, orders and back logs of different service activities for the end of the year, allow the Group to maintain its growth expectations for 2006. Excluding exceptional items, the result before financial and tax items should significantly improve in the second half of 2006.

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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.