

Cerep focuses on the development of profitable service activities

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Cerep will focus its efforts on the development of its profitable service activities which are pharmacological and pharmaceutical profiling, high throughput screening, BioPrint[®], and clinical services, where the Group has a strong competitive position.

Cerep then considers ceasing its chemistry service activity as well as its research efforts for new drug discovery. In parallel, the Group will actively look for partners to pursue the most advanced drug discovery programs and thus preserves the current value of its drug candidate portfolio.

This plan aims at rapidly bringing Cerep back to profitability.

■ Focalization on profitable service activities – Exit of chemistry research services business

New chemistry service contracts that had been anticipated for 2006 have not developed. Consequently, revenue from chemistry services in 2006 will be in the range of 2.85 million euros, more than 55% below last year revenue. Loss from chemistry is anticipated at about 3.5 million euros before taking into account associated structure expenses that should amount to 2 million euros.

The sudden drop in chemistry services revenue directly results from both the unfavorable dollar to euro exchange rate and the abrupt growth of Asian competition – India and China – in 2006 which has already led certain Cerep's North American competitors to exit chemistry services business.

Due to the nature of this activity, mainly driven by labor costs, and considering the growing expertise of Asian chemistry service companies, Cerep does not foresee any increase in its revenue from chemistry services in the coming years, despite a sustained commercial effort. Consequently, Cerep envisages to exit this activity.

■ Drug discovery – Looking for the best valorization for existing programs

Cerep has generated over the past years an extensive portfolio of proprietary patents covering all aspects of its research. The main drug discovery programs have reached an advanced development stage.

The oncology program of the Group has provided a first drug candidate, CER227185, which has shown positive results in clinical phase I/II as recently reported. A second candidate, CER233790, is now ready to enter pre-IND regulatory phase and third generation molecules with an anti-tumor activity, shown to be 50 to 100-fold higher than CER233790, has been identified.

Cerep recently announced that it will not initiate alone the clinical development of CER233790 as the cost of such development can not be financed by the Group. Consequently, Cerep is now actively looking to partner the whole oncology program.

Cerep believes its drug discovery portfolio is a strong asset for the conclusion of license agreements to secure a return on past ambitious R&D investments and thus preserve the current value of these research programs.

Costs associated to drug discovery research activities in 2006 should amount to about 4.5 million euros, and can not be financed anylonger through service activities. Cerep then considers ceasing Anceris research activities.

In the frame of its project to stop both chemistry and drug discovery research activities, Cerep has started a procedure called «Plan de Sauvegarde de l'Emploi» for 66 positions. In parallel, Cerep has hired a specialized company to find a buyer for its chemistry and drug discovery businesses located in Villebon, near Paris.

Actions taken by Cerep aim at bringing rapidly the Group back to profitability through an ambitious development of its service activities (in vitro pharmacological and pharmaceutical profiling, high throughput screening, BioPrint[®] database and clinical services) for which Cerep considers to have a real competitive advantage.

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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.

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