2008 consolidated results

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Consolidated sales revenues

Cerep [Euronext: Cerep] consolidated sales revenues from continuing activities for 2008 reached EUR 30.8 million compared to 31.40 million in 2007, a decrease of 1.9%. At constant currency exchange rate [1], sales revenues would have increased by 1.7%, despite an adverse economic environment and outsourcing budget restrictions in the pharmaceutical industry. These revenues are in line with the guidance for 2008 announced by the Group.

Sales revenues from ADME activities increased by 22.9% (+28.1% at constant currency) at EUR 5.97 million in 2008 compared to EUR 4.86 million in 2007. These numbers confirm the growth of ADME services and Cerep ability to capture this market.

[1] US dollar and yen

Components of sales revenues

Continuing activities (kEUR)	12.31.08	Change	12.31.07
Pre-clinical services	30,799	-1.9%	31,400
Net Company contribution to consolidated sales revenues:			
- Cerep SA	*24,829*	*-6.4%*	*26,540*
- Cerep, Inc.	*5,970*	*22.8%*	*4,860*

Sales revenues by geography

			12.31.08			12.31.07
			Changes 2008/20007			
(kEUR)	Amount	%	Amount	%	Amount	%
Europe	11,799	38.3%	-452	-3.7%	12,251	39.0%
Of which France	*3,566*	*11.6%*	*-597*	*-14.3%*	*4,163*	*13.3%*
North America	17,336	56.3%	-607	-3.4%	17,943	57.1%
Asia	1,462	4.7%	602	70.0%	860	2.8%
Other	202	0.7%	-144	-41.6%	346	1.1%
Total	30,799	100.0%	-601	-1.9%	31,400	100.0%

Sales revenues in Asia have significantly increased in 2008 (+70%), as a result of the new sales policy implemented in Japan.

Since 2006, Cerep clients benefit from an incentive program with discount schedules on catalog prices based on past revenues or commitment for the current year.

The increase in the number of privileged clients benefiting from this program (80 in 2006, 112 in 2008 and already 114 in 2009) confirms the success of this commercial strategy.

In 2008, 82.6% of the sales revenues were generated with these clients.

			2008	
	Number	%	Revenues (kEUR)	%
Privileged partners	112	24.0%	25,455	82.6%
Standard clients	354	76.0%	5,344	17.4%
Total	466	–	30,799	–

Earnings before interest, tax, depreciation and amortization (EBITDA)

Consolidated EBITDA of continuing activities was EUR 3.93 million in 2008 compared to EUR 5.40 million the previous year, at constant perimeter, down 27.2%, merely due to the decrease in sales revenues and to a profit sharing bonus to the benefit of employees which was not in place in 2007.

In 2008, the research tax credit was accounted as "other income"; it is thus reflected in the operating result. For the previous years, Cerep accounted the research tax credit as tax reduction. The research tax credit amounted to EUR 0.66 million in 2008 compared to EUR 0.26 million in 2007.

Material consumption increased in 2008, particularly in ADME activities. This increase is nevertheless non significant once compared to the sales revenues at constant exchange currencies.

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Personnel and related expenses increased in 2008 compared to 2007 (+6.9%); Cerep SA employees bonus scheme for 2008 and the development of ADME activities accounted for most of this increase.

Operating result

Consolidated operating result of continued activities before financial result and taxes is a profit of EUR 1.95 million in 2008 compared to EUR 3.04 million in 2007.

This performance is in line with EBITDA.

Financial result

Consolidated financial result of continued activities in 2008 is positive at EUR 0.31 million compared to a loss of EUR 0.06 million in 2007. Due to the variations in US dollar against euro in 2008, the exchange transactions and hedging operations have represented a net loss of EUR 0.14 million in 2008 compared to a net profit of EUR 0.28 million in 2007.

Expenses related to the interest-bearing debts of continuing activities reached EUR 0.63 million in 2008 compared to 0.76 million in 2007. This increase reflects the three year bank loan of EUR 6 million signed by Cerep at the beginning of 2007.

Net result of continuing activities

Consolidated net result of continuing activities reached EUR 1.92 million in 2008 compared to EUR 2.67 million in 2007.

Net result of discontinued activities

The financial impact of the Group decision to stop its oncology program and associated expenses was EUR 4.87 million; consequently the net result of discountinued or divested activities is a loss of EUR 4.06 million at December 31, 2008.

The net result of these activities at December 31, 2007 was a profit of EUR 6.50 million, attributable to a loss of discontinued chemistry and drug discovery activities and a profit of EUR 12.25 million generated by the sale of the clinical services branch of the Group, which itself represented a net product of EUR 12.38 million.

Net result

Net result of the Group is in 2008 a loss of EUR 2.15 million compared to a profit of EUR 9.16 million in 2007.

Research and development (R&D)

The Group R&D expenses of continuing activities incurred during the year 2008 reached EUR 6.78 million compared to EUR 5.74 million in 2007.

These expenses represent about 22% of the sales revenues and reflect a significant investment for the development of new assays, both in France and in the USA.

Cash position

The Group's cash and cash equivalents (including financial instruments held for trading) amounted to EUR 22.26 million at December 31, 2008 compared to EUR 22.72 million at December 31, 2007.

This change in cash, excluding foreign exchange impact, of EUR -0.50 million results from:

- net cash from operating activities of EUR 4.89 million reflecting cash flow from operations excluding interest and tax of EUR 3.63 million and net change in working capital of EUR 1.26 million,
- net cash used in investment activities of EUR -1.49 million,
- net cash used in financing activities of EUR -4.29 million,
- and net cash relating to discontinued activities of EUR 0.39 million.

The working capital represents EUR 17.5 million compared to EUR 22 million one year before.

At December 31, 2008 the consolidated borrowing and debt with financial institutions raised to 51.6% of shareholders' equity plus 49.6% for the borrowing and debt with financial institutions related to non-current assets for sale, compared to 108.3% for the total consolidated borrowing and debt with financial institutions at December 31, 2007.

Financial indebtedness

	Continuing activities		Discontinued activities		Total	
(kEUR)	12.31.08	12. 31.07	12.31.08	12. 31.07	12.31.08	12. 31.07
Debt with financial institutions and reimbursable advances	4,326	6,544	–	680	4,326	7,224
Debt with financial lease institutions	6,761	7,257	10,642	11,410	17,403	18,667
Total	11,087	13,801	10,642	12,090	21,729	25,891

Key figures

Continuing activities (kEUR)	12.31.08	12. 31.07
Net sales revenues	30,799	31,400
EBITDA	3,933	5,395
Operating result	1,950	3,302
Financial result	310	-56
Net tax benefit/expense	2,260	3,246
Net result of continuing activities	1,918	2,665

Significant events in 2008

- The economical environment in 2008 has been particularly unfavourable with a weak dollar, the development of the competition, and the rise of an economical crisis impacting all industrial sectors. In this difficult context, several customers of the Company have temporarily stopped some of their research programs. These decisions have impacted Cerep activity during the second half of the past year.

  With its solid international reputation of high-quality service provider, Cerep remains confident in its ability to pursue its development in the coming years by capturing new business shares rising from the growing tendency of pharmaceutical firms to outsource early drug discovery phases as a common strategy of cost reduction. Thus, Cerep has recorded 466 clients in 2008, an increase of 10% compared to 2007.

- During the first quarter 2008, Cerep has expanded its facilities in Redmond, Washington, through the lease of an additional 10,200 sqf of laboratories and offices. The new premises were operational starting May 2008, and are used primarily as compound management laboratory. Cerep also duplicates on this site some pharmacological assays that were previously run exclusively in Poitiers, France. The development of Cerep activities in the dollar zone will contribute to decrease the Group's exposure to the risk linked to fluctuations of this currency.

- The Company has achieved the first phase of its "satellite" program with success through the transfer of its know-how in pharmacological screening and profiling from its site of Poitiers, France, to its laboratory of Redmond, WA, USA. This strategy is part of a customer proximity policy aiming at attracting and capturing new businesses as a result of the reduction in logistic and psychological constraints linked to the overseas shipment of compounds. Indeed, Cerep has identified those constraints as potential obstacles to the outsourcing of drug screening and profiling. In reducing or even abolishing this obstacle, Cerep intends to increase its market shares. The second phase of the "satellite" program is the establishment of a drug screening laboratory in Asia, in the region of Shanghai, China. The Group expects a strong increase in the outsourcing of drug discovery and development in Asia, and specifically in China, in the coming years, following the rapid setting up of pharmaceutical firms in this part of the world. As of today, Cerep does not recognize revenue from customers in China and considers that its establishment in Shanghai constitutes an opportunity for a significant growth in the coming years.

- Cerep has extended for the year 2008 its major service agreements as well as its strategic collaborations signed in 2002 and 2003 with Pfizer and Eli Lilly & Company respectively. The former aims at further developing BioPrint® and related models. The latter utilizes Cerep's extensive experience in high throughput compound profiling to enhance the fundamental understanding of the relationships between chemical structure and biological activity.

- In early 2008, Cerep announced that it has been selected by Science Applications International Corporation (SAIC) on behalf of the Spinal Muscular Atrophy (SMA) Project through the National Institute of Neurological Disorders and Stroke (NINDS), National Institutes of Health, to provide *in vitro* pharmacological profiling and ADME-Tox services for a multi-year program. The subcontract was awarded by primary contractor SAIC after an international competitive bidding process and is a testament to Cerep's expertise in the drug discovery arena.

- On April 7, 2008, Cerep and PerkinElmer, Inc. a global leader in Health Sciences and Photonics, have announced the signature of a supply and co-marketing agreement to deliver custom drug discovery services. Under the terms of the agreement, PerkinElmer will exclusively market Cerep's target screening and profiling services to its customers, and the companies will jointly promote PerkinElmer's assay technologies and Cerep services to the drug discovery market.

- In March 2008, Cerep announced the entry in pre-clinical development of the drug-candidate discovered in its partnership with sanofi-aventis signed in 1997.

- License agreements for two drug-candidates discovered by Cerep:

  . In December 2008, Cerep has announced the signature of a license agreement for the NPY1 antagonist co-discovered by Cerep and sanofi-aventis as part of their collaboration initiated in 1998. The drug candidate is currently in pre-clinical development for the treatment of type-2 diabetes. The signature of this agreement triggered a milestone payment and the re-imbursement of certain expenses incurred by Cerep. Other payments are associated to the success of the program, including royalties on sales once the drug will reach the market (See press release dated December 10, 2008).

. In December 2008, Cerep has concluded a license agreement with Théa for the development of an LFA-1 antagonist discovered by Cerep as part of its collaboration with Bristol-Myers Squibb. The development of this drug-candidate had been stopped for hepatotoxic effects observed after oral administration. In 2008, Cerep and Théa have identified a potential novel application for this compound in ophthalmology. In these new indications, the compound should be administered topically, thus strongly reducing the risk of hepatotoxic effects. The terms of the contract provide a first payment to be paid by Théa to Cerep upon signature of the agreement as well as milestones payments associated to the success of the program and royalties on sales once the drug will reach the market (See press release dated January 7, 2009).

Cerep

Cerep's mission is to provide pharmaceutical companies with high quality services in drug discovery and drug development. 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 has developed a unique know-how based on technologies of in vitro screening and profiling using its proprietary database BioPrint®, which allows the modelling of clinical effects of drug candidates from their molecular properties.
Cerep's technologies benefit to more than 460 pharmaceutical and biotechnological companies worldwide including most of the top pharmaceutical firms.
Over the past years, Cerep also developed a pipeline of drug candidates which includes collaborative products developed with Sanofi-Aventis and Bristol-Myers Squibb, as well as proprietary compounds (including one compound in phase I/II clinical trial in the field of cancer). These programs and associated compounds are either partnered or being licensed-out.

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.

Recent events

- Cerep's main service agreements have been renewed for 2009. Strategic alliances with Pfizer and Eli Lilly & Company will continue in 2009.
- BioPrint® consulting services [1], recently launched, were commercially well received in 2008. The marketing efforts of the Group in 2009 will particularly focused on these new services and Cerep anticipates the signature of at least twelve studies of this kind during the current year.
- On February 12, 2009, Cerep appointed Mrs Sandrine Dufour as Board Member of the Company. Sandrine Dufour, 42 years old, is Deputy Chief Financial Officer of Vivendi Group and Chairman of Vivendi Mobile Entertainment. Sandrine Dufour joined Vivendi in 1999 and was formerly Special Advisor to Vivendi's Chief Financial Officer, Chief Financial Officer of VU Net as well as Vivendi's Senior Vice President in charge of Internal Audit and Special Projects, based in New York. Before joining Vivendi, she was a financial analyst with BNP and Cheuvreux.
- In a difficult economical environment, Cerep will focus its resources on the development of its profitable service activities, and thus decided to stop all expenses associated to its drug discovery program in oncology (including the research of potential partners and the maintenance of intellectual property). The financial consequence of this decision is reflected in 2008 consolidated financial statements.

[1] *Interpretation of pharmacological and ADME profiling results and anticipation of the clinical effects of compounds under development.*

Outlook for 2009

The restructuring of pharmaceutical industry and the difficulties of refinancing encountered by some biotechnology companies could lead to a decrease in commercial demand in the coming months. In this context Cerep does not anticipate a growth of its revenue in 2009 compared to 2008 for its recurrent activities.

However, the Group is confident in its ability to capture new markets that will come from current reorganization of pharmaceutical companies. Cerep will continue the development of its activities close to its clients to better meet new market needs and reduce its risk exposure to currency exchange rates by balancing its structure costs in euro and dollar zones.

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