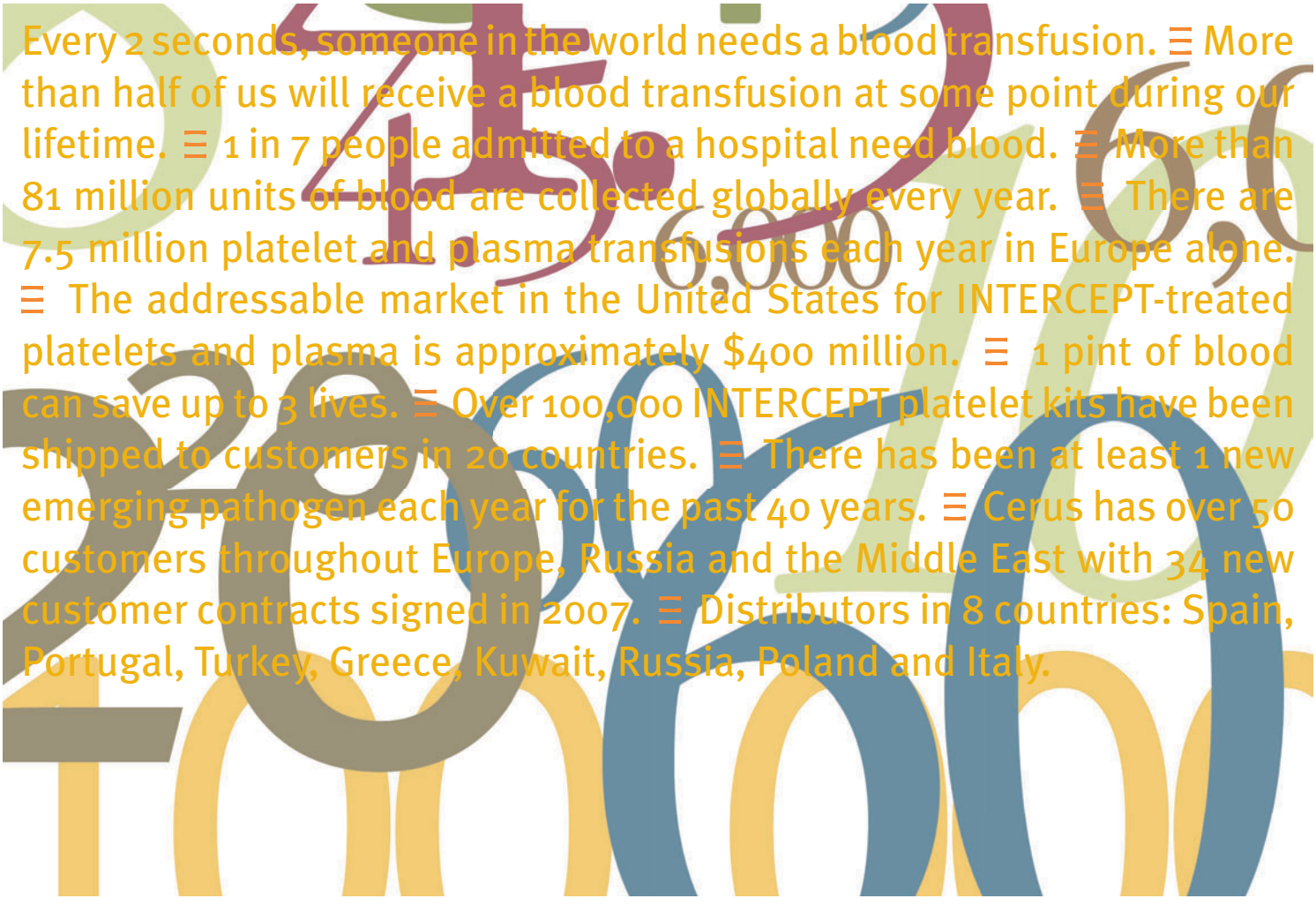
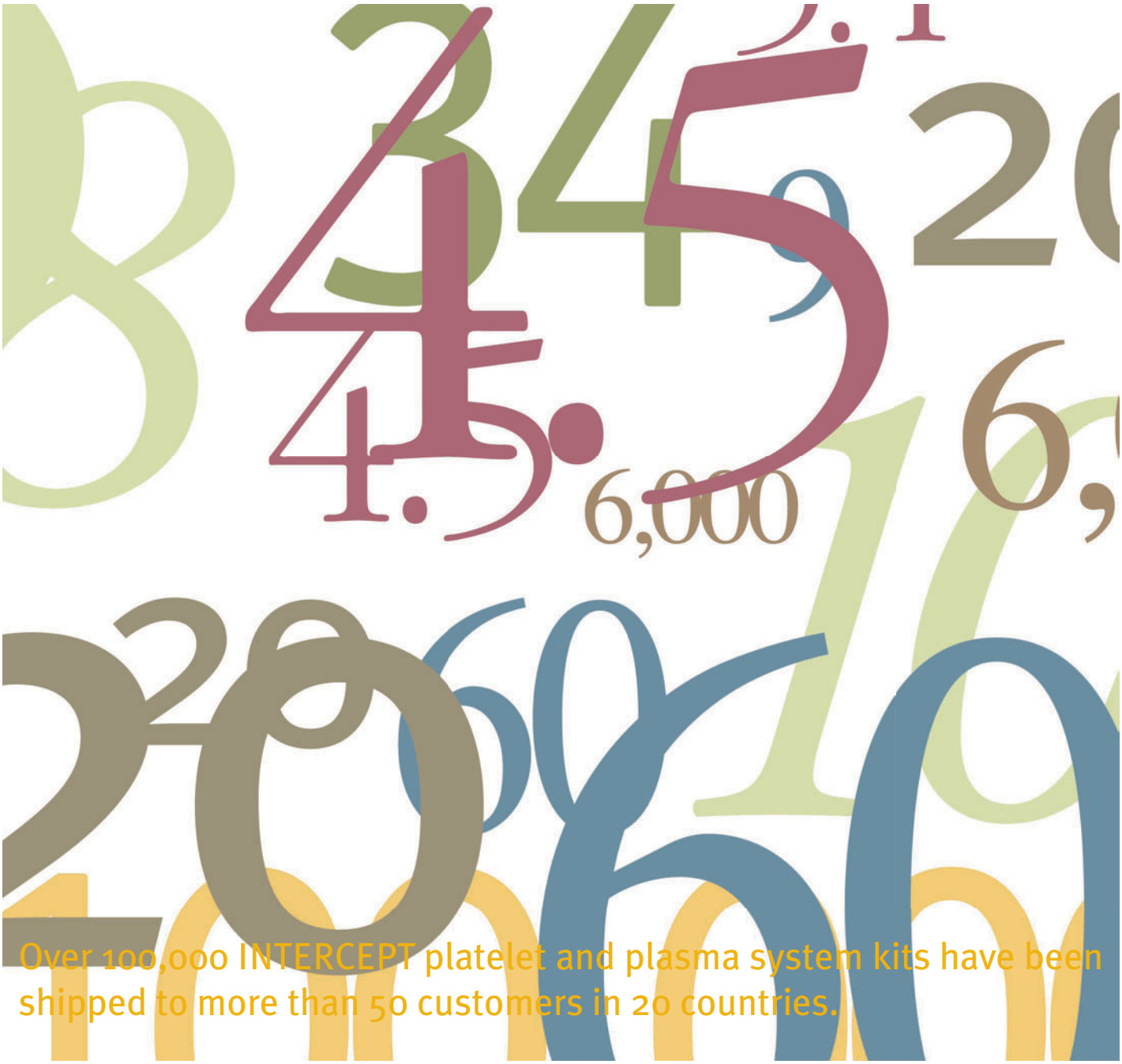
CERUS

Cerus Corporation ☰ 2007 Annual Report

safety in numbers



Every 2 seconds, someone in the world needs a blood transfusion. ☰ More than half of us will receive a blood transfusion at some point during our lifetime. ☰ 1 in 7 people admitted to a hospital need blood. ☰ More than 81 million units of blood are collected globally every year. ☰ There are 7.5 million platelet and plasma transfusions each year in Europe alone. ☰ The addressable market in the United States for INTERCEPT-treated platelets and plasma is approximately $400 million. ☰ 1 pint of blood can save up to 3 lives. ☰ Over 100,000 INTERCEPT platelet kits have been shipped to customers in 20 countries. ☰ There has been at least 1 new emerging pathogen each year for the past 40 years. ☰ Cerus has over 50 customers throughout Europe, Russia and the Middle East with 34 new customer contracts signed in 2007. ☰ Distributors in 8 countries: Spain, Portugal, Turkey, Greece, Kuwait, Russia, Poland and Italy.



Over 100,000 INTERCEPT platelet and plasma system kits have been shipped to more than 50 customers in 20 countries.

PRODUCT PIPELINE

	PHASE I	PHASE II	PHASE III	REGULATORY REVIEW	MARKETING
INTERCEPT Blood System					
Platelets					
			U.S.		
Plasma					
			U.S.		
Red Cells					

When it comes to blood safety, the most important number at Cerus is 100%.

That's because we are 100% committed to developing and commercializing biomedical products that enhance the safety and availability of donated blood. Dr. Larry Corash, our Chief Medical Officer, co-founded Cerus after witnessing the devastating effects that HIV/AIDS wreaked on his patients and recognizing the threat that emerging pathogens posed to the safety of the blood supply. With the commercialization of our pathogen inactivation technology, the INTERCEPT Blood System for platelets and plasma, our products are enabling a new blood safety paradigm.

Safety in numbers. That's the Cerus commitment, 100%.

Dear Shareholder:

When it comes to blood safety, it's all about numbers – numbers that relate to the prevalence of blood-borne pathogens, testing windows, limits of detection, the risk of contamination and the amount of blood available to patients who need it. In recent years, these numbers have made it clear that health care systems around the world face new challenges in ensuring the safety and availability of donated blood. New pathogens continue to emerge, more stringent screening criteria reduce the pool of potential donors, and each new test adds to the cost of processing life-saving blood. That's why everyone at Cerus is 100% committed to making our INTERCEPT products number one in pathogen inactivation.

Our 2007 numbers make it clear that we are making excellent progress toward that goal. We have now entered into distributor relationships in eight countries and in 2007 signed 34 new customer contracts for INTERCEPT products. Today, we have 35 employees selling and supporting INTERCEPT products under the Cerus brand to over 50 customers throughout Europe, Russia and the Middle East. As a result of our success in commercializing INTERCEPT, our 2007 product sales revenue nearly tripled compared with 2006.

With over 100,000 INTERCEPT platelet kits shipped to date, our clinical-use numbers are helping to drive our commercialization efforts. Customers using the INTERCEPT blood system for platelets report a significant reduction in transfusion-related adverse events. Commercial data indicate that the use of INTERCEPT-treated platelets has reduced the number of adverse events on average by half. This decrease in adverse events can result in healthcare savings by reducing hospital stays, complications and antibiotic and steroid use. Perhaps most importantly, transfusing INTERCEPT-treated platelets may result in better patient outcomes compared with conventionally prepared platelets.

In 2007, newly generated data highlighted an additional product benefit of the INTERCEPT platelet system. INTERCEPT-treated platelets can be stored for up to seven days according to an allowed label claim in most European markets, compared to a five day shelf life for conventionally prepared platelets. This two day difference in shelf life can allow customers to reduce waste and improve inventory control. This stands in stark contrast to the results of the PASSPORT study, which was conducted in the United States by other commercial groups in order to assess the safety of conventional platelets tested for bacterial contamination and stored for seven days.

The PASSPORT study was halted when levels of bacterial contamination were found to be five times higher than the FDA-accepted minimum. By inference, the PASSPORT study revealed that roughly 1 in every 330 patients receiving platelet transfusions is at risk of a bacterial infection even after donations are initially tested for presence of bacteria, an unacceptably high rate of contamination. Given that bacteria know no geographic boundaries, we believe that the results of the PASSPORT study have important ramifications for the safety of the world's blood supply and the commercial opportunity for INTERCEPT in U.S. and foreign markets. INTERCEPT's demonstrated ability to inactivate bacteria provides customers with important clinical and economic benefits.

Combined, these clinical, commercial and epidemiologic numbers position us for growth in 2008 and beyond. Based on a growing body of data from the use of INTERCEPT in hospital settings, we are well positioned to articulate the safety, patient outcomes and economic benefits that the system offers. Moreover, both the international Consensus Conference on pathogen inactivation held in Toronto, Canada and the U.S. Department of Health and Human Services' Advisory Committee on Blood Safety and Availability have recommended broad implementation of pathogen inactivation.

While these data should help us to attract new customers in countries that recognize the CE mark for the INTERCEPT platelet and plasma systems, they also have helped to potentially provide a more clear and rapid path to commercialization in the United States. In a meeting with the FDA's Office of Blood Research and Review in January 2008, we were told that commercial data to be gathered from use of INTERCEPT-treated platelets in Europe, in combination with our existing Phase III trial data, could provide a basis for approval of the system in the United States. This change from a prior requirement for a new Phase III trial makes FDA approval a more immediate and less expensive priority than we had previously anticipated. While we still need to finalize a regulatory plan and collect data that the FDA would find acceptable, we are encouraged by the agency's change in approach. We believe the U.S. market opportunity for the INTERCEPT platelet and plasma systems is approximately $400 million, and we are committed to establishing the INTERCEPT brand as the first and best in class for pathogen inactivation of blood components.

As part of that commitment, we spun off our immunotherapy business in November 2007 to a newly formed company, Anza Therapeutics, which was funded by leading venture capital firms Kleiner Perkins, Sofinnova and Versant Ventures. This strategic transaction was undertaken in order to focus our resources solely on commercializing the INTERCEPT Blood System.

As we move through 2008 and beyond, our three priorities are to continue expanding the commercialization of the INTERCEPT platelet and plasma systems in Europe and the Middle East, clarifying and executing a regulatory strategy for INTERCEPT in the United States and advancing the INTERCEPT red blood cell system, currently in early-stage clinical trials, through later-stage clinical development and ultimate commercialization.

We are 100% committed to blood safety. With our demonstrated success commercializing the INTERCEPT platelet and plasma systems in 2007, that's a number that should make patients and our shareholders feel safer.

Sincerely,

Claes Glassell
President and Chief Executive Officer

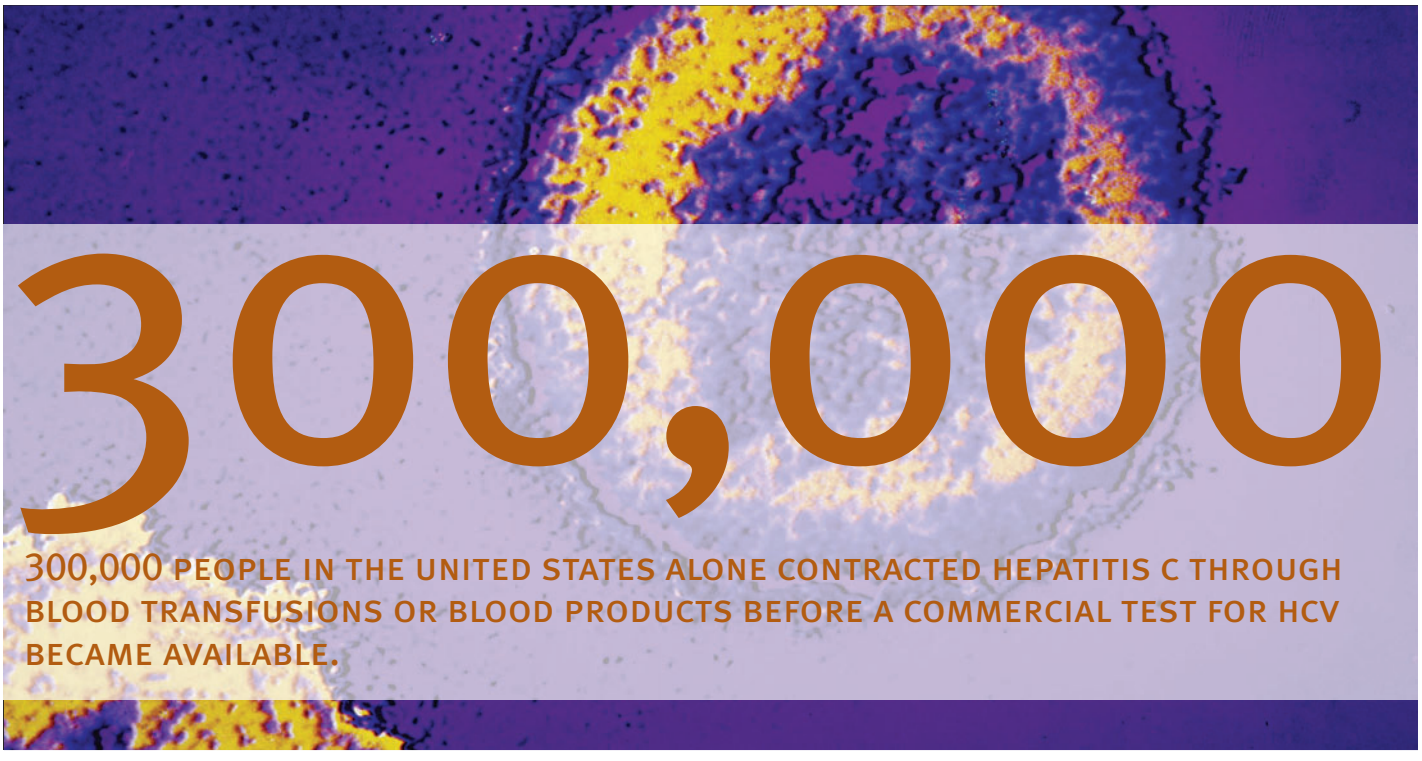
April 14, 2008

More than 4.5 million patients need blood transfusions each year in the U.S. and Canada.

4.5 million

1

There has been at least one new emerging pathogen each year for the past 40 years.



300,000

300,000 PEOPLE IN THE UNITED STATES ALONE CONTRACTED HEPATITIS C THROUGH BLOOD TRANSFUSIONS OR BLOOD PRODUCTS BEFORE A COMMERCIAL TEST FOR HCV BECAME AVAILABLE.

Blood-borne pathogens pose two great threats to the blood supply. First, potential transmission of potentially life-threatening pathogens, such as hepatitis B, hepatitis C and HIV, compromises safety by creating a risk for individuals who receive blood in transfusions. Second, widespread outbreaks can shut down blood collection and distribution, thus reducing the availability of blood for patients who need it. Cerus' blood safety solutions address both of these critical concerns.

Cerus is enabling a new and enhanced approach to blood safety, one designed to address the needs of the blood transfusion community around the world. Current blood safety paradigms call for screening of donors to eliminate those with increased risk for harboring or transmitting blood-borne infections and testing donated blood for the presence of pathogens. While these approaches have helped to improve the safety of the blood supply, they have limitations. Screening depends on the accuracy of the information provided by the donor, which cannot always be independently verified. This leaves open the risk that infected individuals will donate blood. Additionally, as screening criteria grow ever more stringent, the pool of potential donors is shrinking. A smaller donor pool makes it more difficult to meet the demand for blood components, creating a significant risk to the health of patients who need but cannot obtain them. And demand for blood components is rising, as people live longer and may undergo more surgical interventions.

Testing is only as effective as the limits of detection for specific pathogens. Below or beyond these limits, it is possible that pathogens may be present but not detected. This creates a risk that contaminated blood will enter our blood supply. Additionally, there is no single test that can be used for all pathogens, and the use of multiple tests adds to the cost of processing donated blood.

Perhaps the most serious limitation of current screening and testing methods is that this approach can only be applied to known pathogens. And even as new threats are detected, there is a lag period until reliable screening and testing procedures can be developed. What about pathogens we cannot test for or those we are not even aware? Cerus' pathogen inactivation technology can be an answer to this challenging and critical question about blood safety.

Cerus' INTERCEPT Blood System is a new and important layer of protection for blood components used for transfusion. The INTERCEPT system is designed to prevent replication of a broad spectrum of viruses, bacteria and parasites – both known and unknown. INTERCEPT also inactivates white blood cells, which can lead to a range of adverse events, including a potentially life-threatening adverse event known as graft versus host disease. The scientific foundation underpinning INTERCEPT is simple yet elegant: all of these potential contaminants of donated blood contain functional DNA or RNA, while platelets, plasma and red blood cells do not. Thus, inhibiting the replication of DNA and RNA on a nonspecific basis renders viruses, bacteria, parasites and harmful white blood cells incapable of propagating, while allowing blood components to function normally.

At Cerus, we believe that the safety and availability of today's blood supply is too critical to depend on knowledge that we may not learn until tomorrow. That's why we're 100% committed to making INTERCEPT number one in pathogen inactivation.

France. Germany. Russia. Poland. Turkey. Greece. Spain. Belgium. Kuwait. Sweden. Different countries. Different climates. Different customs. What do they have in common? All of them have INTERCEPT customers. In a world where threats to the blood supply encounter fewer geographic boundaries, INTERCEPT has global potential and local impact. INTERCEPT platelets and plasma offer customers enhanced safety, improved economics and better patient outcomes. That's an equation for success.

2007 was the first full year in which Cerus had sole marketing and commercialization responsibility for the INTERCEPT product line, and our achievements in the year provide a solid foundation on which to expand our market penetration.

With full rights to the product, we implemented plans to enhance the product positioning for the INTERCEPT platelet and plasma systems in the numerous territories that recognize these systems' CE marks. This strategy included emphasizing the value proposition and commercial competitiveness of the INTERCEPT Blood System and highlighting INTERCEPT's compatibility with a variety of blood collection platforms, as well as its utility with both pooled blood and individual collections.

We believe that INTERCEPT offers a number of benefits over conventional blood safety measures. For platelets, INTERCEPT may obviate the need for bacterial and CMV tests as well as gamma irradiation, and provides multiple processing advantages that decrease cost and improve inventory management. Combined, these benefits can serve to offset much of the cost of the INTERCEPT Blood System. Moreover, INTERCEPT platelets may provide economic benefits to healthcare systems and payors by reducing transfusion-related adverse events, potentially eliminating the need to add new tests for emerging pathogens and expanding the donor pool. The INTERCEPT plasma system offers benefits with respect to cost, ease of use and efficacy compared with quarantine or other pathogen inactivation methods used on plasma for transfusion.

The combined potential market for the INTERCEPT platelet and plasma systems in Europe alone is $425 million, and approximates $500 million together with other countries we are targeting that also recognize the CE mark. We are committed to penetrating the European and Middle Eastern markets to the fullest. Key to our market expansion is our ability to work with customers and national policy makers to expedite adoption of our INTERCEPT products. In 2007 we opened new markets in countries throughout Europe, Eastern Europe and the Middle East. In several countries with expanding economies and improving medical care, health officials are bypassing traditional screening and testing paradigms in favor of pathogen inactivation with INTERCEPT. We signed 34 new customer agreements in 2007, and we expect that continued implementation of INTERCEPT by our geographically diverse and growing customer base will further enhance the brand's acceptance and market opportunity around the globe.

As part of our commercialization strategy, we recently welcomed Carol Moore as Vice President, Regulatory Affairs and Quality. In this capacity, Carol will coordinate our global regulatory strategy. This includes a continuation of our work with the FDA to establish a clear path for commercializing the INTERCEPT platelet and plasma systems in the U.S. market, which has an estimated potential of $400 million.

With 35 employees and multiple distributors focused on selling INTERCEPT products to over 50 customers in Europe, Russia and the Middle East, our sales revenue for 2007 nearly tripled compared with the prior year. So, what do these numbers add up to? Success in 2007 and multiple opportunities for continued achievement in 2008 and beyond.

OVER 100,000 INTERCEPT PLATELET KITS HAVE BEEN SHIPPED TO CUSTOMERS.

100,000

8

Distributor relationships in 8 countries: Spain, Portugal, Turkey, Greece, Kuwait, Russia, Poland and Italy.

50

customers

50 customers throughout Europe, Russia and the Middle East.

4

4 fold increase in West Nile Virus infections in the United States over the past year.

300 people infected with Chikungunya virus, a mosquito-borne emerging pathogen, in a 2007 outbreak in Italy.

300

$5.4 billion

$5.4 billion potential global addressable market opportunity for the INTERCEPT Blood System.

Some 6,000 cases of Dengue fever in Puerto Rico. Over 250,000 cases of Chikungunya virus in La Réunion, with a significant number of documented cases in India and now Italy. Blood-borne pathogens don't need visas or passports to enter new countries. That's why Cerus is dedicated to expanding INTERCEPT's global reach.

The global market opportunity for pathogen inactivation of platelets, plasma and red blood cells for transfusion is estimated to be in excess of $5.4 billion. While we believe that the current value proposition offered by the INTERCEPT platelet and plasma systems are powerful drivers for adoption, our growth opportunities are enhanced by several external factors.

Dengue fever and Chikungunya virus are just two examples of blood-borne diseases that have moved from tropical environments to the United States and Europe. Chagas disease and West Nile Virus are on the rise in the United States. The Chikungunya outbreak on the island of La Réunion briefly shut down the blood supply, when significant numbers of residents contracted the virus and blood could no longer be sourced safely from local donors. Rapid implementation of the INTERCEPT platelet system facilitated the resumption of blood collection and platelet supply, easing the crisis for those patients needing platelet transfusions.

The La Réunion outbreak demonstrates just how vulnerable the blood supply can be to an emerging pathogen, and such outbreaks are likely to grow more common. The World Health Organization reported that, on average, one new pathogen has emerged each year for the past 40 years, and predicts that this trend is quite likely to continue. Pathogenic outbreaks are expected to occur with greater frequency in previously unaffected areas as global travel expands. Long development and approval periods for new tests, and a reluctance on the part of diagnostics manufacturers to develop incremental new tests for every emerging pathogen suggests that the current testing paradigm cannot meet the challenge posed by emerging pathogens.

Clearly, 21st-century challenges to the safety of the blood supply require innovative solutions. Blood safety experts at both the 2007 international Consensus Conference on pathogen inactivation in Toronto, Canada and a January 2008 U.S. Advisory Committee on Blood Safety and Availability meeting put forth the same recommendation: pathogen inactivation should be adopted now. This recommendation was based on findings that existing viral and bacterial testing strategies are inadequate and the blood supply is vulnerable to emerging pathogens.

We believe that these recommendations, combined with clinical experience from the more than 100,000 INTERCEPT-treated platelet units transfused in hospital settings, provide a solid foundation on which to build and expand the INTERCEPT franchise. Near-term growth opportunities include reaching additional customers in territories that recognize the CE mark for the INTERCEPT platelet and plasma systems. Longer term, we are focused on gaining approval of the INTERCEPT platelet and plasma systems in the United States and commercializing the INTERCEPT red blood cell system.

The global market for INTERCEPT-treated red blood cells is estimated to be nearly $4 billion. A recently completed Phase I trial highlighted the need to further optimize the system to simultaneously reduce antibody reactivity and maintain the life span of stored red blood cells. We expect to initiate another Phase I clinical trial before the end of 2008 with a system we believe addresses both of these issues, and are committed to expanding the INTERCEPT franchise into this large and medically important market.

Inadequate testing, emerging pathogens, demand for blood components that threatens to outpace supply. These are the challenges to blood safety in the 21st century. INTERCEPT offers a straightforward solution to this complicated equation.

FORM 10-K

Executive Management & Board of Directors

Executive Management

Claes Glassell
President and Chief Executive Officer

William M. Greenman
President, Cerus Europe

Laurence M. Corash, M.D.
Senior Vice President and
Chief Medical Officer

William J. Dawson
Vice President, Finance and
Chief Financial Officer

Joseph J. Eiden, M.D.
Vice President, Clinical Research
and Medical Affairs

Howard G. Ervin
Vice President, Legal Affairs

Suzanne C. Margerum
Vice President, Development
and Manufacturing

Carol M. Moore
Vice President, Regulatory Affairs
and Quality

Lori L. Roll
Vice President, Administration
and Corporate Secretary

Board of Directors

B.J. Cassin
Chairman of the Board, Private
Venture Capitalist

Timothy B. Anderson
Former Senior Vice President,
Baxter International Inc.

Laurence M. Corash, M.D.
Senior Vice President and Chief Medical Officer

Bruce C. Cozadd
Executive Chairman, Jazz Pharmaceuticals, Inc.

Claes Glassell
President and Chief Executive Officer

William R. Rohn
Former Chief Operating Officer, Biogen Idec Inc.

Gail Schulze
Former Chief Executive Officer
YM Biosciences US

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Annual Report on Form 10-K

A copy of the company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission is available without charge on request to:

Investor Relations Department

Cerus Corporation
2411 Stanwell Drive
Concord, California 94520
Telephone: (925) 288-6000

Stock Information

Common stock, traded on the Nasdaq
Stock Market under the symbol: CERS

Annual Meeting of Stockholders

9:00 a.m., Monday, June 2, 2008
Cerus Corporation
2411 Stanwell Drive
Concord, California 94520

Forward-looking Statement

Statements in this annual report regarding future clinical trials, future regulatory filings, potential efficacy of products, potential collaborations, future product development and commercial potential are forward-looking statements that involve risks and uncertainties. Actual results could differ materially from these forward-looking statements as a result of certain factors, including the risks and uncertainty of the timing and results of clinical trials and other development activities, actions by regulatory authorities at any stage of the development process, additional financing activities, performance by partners, manufacturing, market acceptance of any products, competitive conditions, legal proceedings and other factors discussed in the Company's most recent filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report. The Company does not undertake any obligation to update any forward-looking statements as a result of new information, future events, changed assumptions or otherwise.

Design: Bluerae Creative, Boston, Massachusetts

CERUS

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