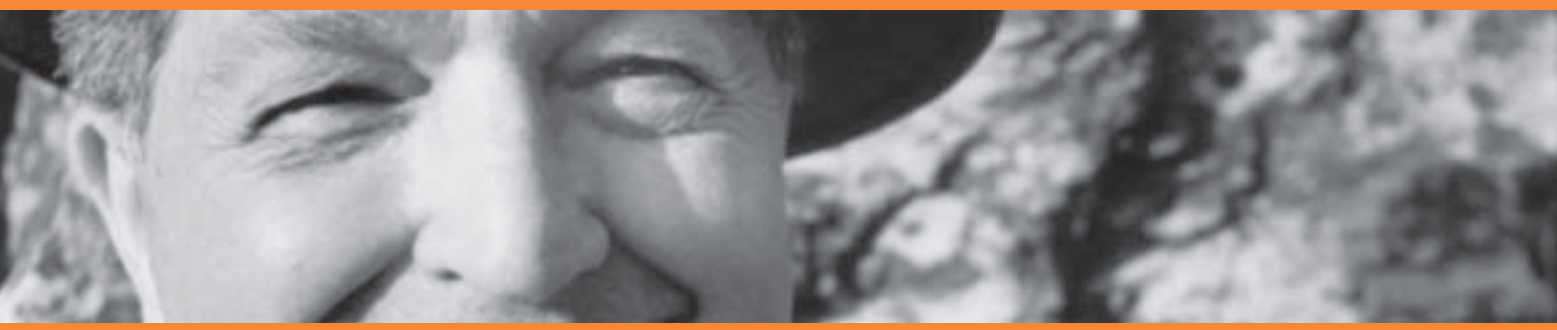
CERUS

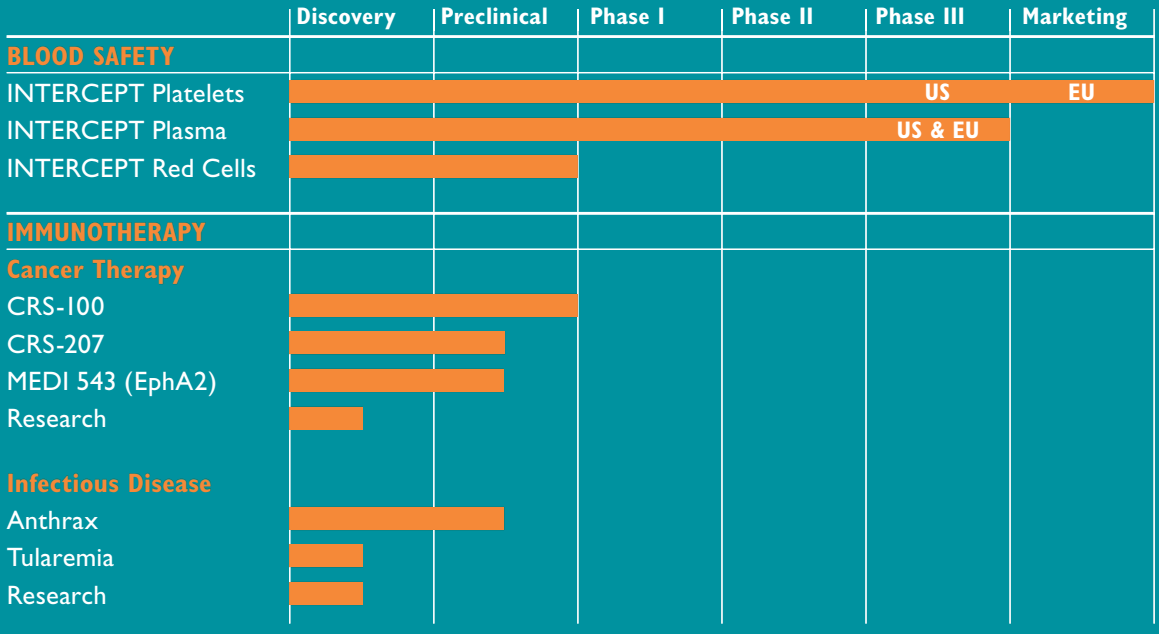
We do what we do…

CERUS CORPORATION 2005 ANNUAL REPORT



...because of you.

Product Pipeline



Because of people like you, the people of Cerus are developing new approaches

to improving blood safety, targeting cancer and treating and preventing infectious diseases. In each of these areas, we have developed proprietary technologies that may create new paradigms for protecting and improving human health. We work with leaders in each field to address areas of significant medical need and to innovate safe and effective solutions to some of the health challenges of the 21st century. Through cutting-edge science and a focus on patients, we're making a difference. *Because we can. Because we care. Because of you.*

To Our Shareholders:

2005 was a year of significant achievement across all aspects of our business and within each of our core product development areas. These achievements are a direct result of the passion and commitment that drive us to develop and commercialize innovative products to improve human health. On behalf of everyone at Cerus, I am pleased to share with you the highlights of our success in 2005.

Our INTERCEPT Blood Systems are our most advanced product opportunities, with the INTERCEPT platelet system already approved in Europe. In 2005, we submitted a CE mark application for approval to market the INTERCEPT plasma system in Europe. We also attained several critical goals around the INTERCEPT red cell system, solving important technical issues enabling us to re-enter clinical development with a modified approach. Currently there are no products or devices approved to inactivate pathogens in donated red blood cell preparations. From a clinical perspective, we believe that the INTERCEPT red cell system can be an important component in a comprehensive blood safety management program. Additionally, we believe there is a significant commercial opportunity in the red cell pathogen inactivation market. As a next step, we are working to initiate a Phase I trial of the modified INTERCEPT red cell system.

"Through the diligent efforts of our research, development and regulatory teams, we were able to file an Investigational New Drug (IND) application to begin clinical trials of CRS-100, our first cancer immunotherapy."

In addition to advancing the scientific, clinical and regulatory development of the INTERCEPT program, we executed strategic business transactions that will enhance our ability to commercialize our multiple INTERCEPT product opportunities. In June 2005 we entered into an agreement with BioOne Corporation to commercialize the INTERCEPT plasma system in select Asian territories. This transaction is valued at up to $33 million in up-front and milestone payments, including $5 million in up-front payments that we have received to date.

In February 2005, and again in February 2006, we amended our agreements with subsidiaries of Baxter International, Inc. related to the development, commercialization and marketing of the INTERCEPT systems. Taken together, these agreements allowed us not only to gain exclusive worldwide rights to the INTERCEPT Blood System, excluding certain Asian countries in which we have licensed rights to BioOne, but also provided us with significantly improved economics on product sales and resulted in net gains in excess of $28.6 million. Already we have begun implementing a transition strategy for a smooth transfer of regulatory, sales and marketing activities from Baxter to Cerus. We expect to complete the transition of responsibilities before the end of 2006. With in-country approval for the platelet system in France now in hand, we look forward to making commercial progress in Europe in the coming year.

We are also very excited about the achievements in our immunotherapy programs. We were able to meet our corporate goal of filing an Investigational New Drug (IND) application to begin clinical trials of CRS-100. This is our first cancer immunotherapy product candidate, designed to treat cancers metastasized to the liver. It will be the first program using our proprietary Listeria platform to advance to the clinic. We believe that CRS-100 has the potential to more potently stimulate the immune system to fight cancer. Our efforts on advancing our immunotherapy opportunities also position us to leverage CRS-100's clinical data as we conduct late-stage preclinical work in preparation for filing an IND for our second cancer program, CRS-207, designed to treat pancreatic and ovarian cancers.

In our infectious disease program, we received notification of $2.8 million in funding over three years as our part of a contract awarded by the National Institute of Allergy and Infectious Disease to a tularemia vaccine research consortium of which Cerus is a member. One of the consortium's goals is to develop a vaccine for tularemia based on our Killed But Metabolically Active (KBMA) technology. The awarding of this contract highlights the scientific community's excitement and enthusiasm for the potential of the KBMA platform as a novel approach to developing vaccines. Additionally, it reflects the rapid progress that we have made in advancing the KBMA platform. The first proof-of-concept data were published just last year, and we are now positioned to begin work on a product-focused development program based on the technology. The funding we receive will help support our efforts toward developing therapeutic KBMA vaccines to treat infectious diseases such as hepatitis.

Throughout the year we continued to build our intellectual property position around our blood safety and immunotherapy technologies. We also worked closely with the members of our scientific advisory boards to develop strategies for advancing these technologies in a manner that will yield significant value in the clinic and the market. Establishing a new INTERCEPT scientific advisory board was a key achievement in this area, and we expect that our advisors' insight and expertise will provide valuable guidance as we assume operational control of the INTERCEPT portfolio.

I am proud of our success in 2005 in attaining our corporate goals, and look forward to continuing that progress in the months ahead. Whether you are a shareholder, a patient or an employee, I thank you for your support. We do what we do because of you.

Claes Glassell
President and Chief Executive Officer
Cerus Corporation

April 21, 2006

Every two seconds, somebody in the United States needs blood, and each year 4.5 million lives are saved by transfusions.* That is hundreds of thousands of units annually. We're committed to improving the safety of every unit.

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

"The INTERCEPT Blood System has the potential to enhance the safety of donated blood by inactivating pathogens that may not be detected with current tests, as well as emerging pathogens not yet identified as threats to human health."

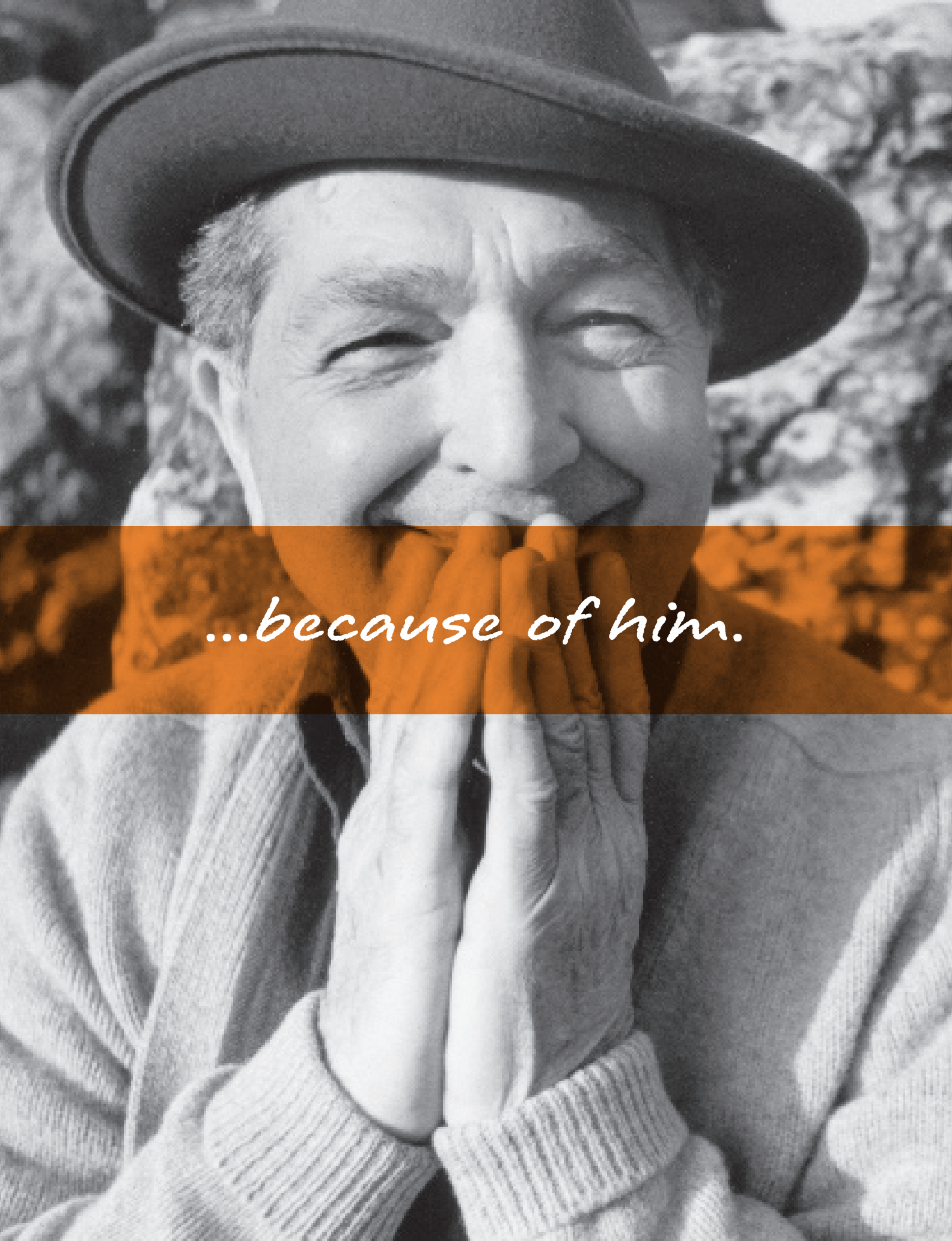
Improving Blood Screening and Safety

Today, blood safety strategies rely on strict donor selection criteria and screening donated blood for the presence of a limited number of pathogens. We are developing the INTERCEPT Blood System as an important enhancement to the safety of platelets, plasma and red blood cells derived from donated blood. For each of these components, we have developed a proprietary process to inactivate harmful pathogens, including viruses such as HIV, hepatitis B and hepatitis C, as well as bacteria and parasites, without diminishing the therapeutic utility of the treated blood component. After blood is collected from donors and separated into platelets, plasma or red blood cells, the individual components are treated with our proprietary Helinx technology, which cross-links the DNA or RNA of pathogens and contaminating white blood cells.

Significantly, the INTERCEPT systems inactivate pathogens that may go undetected by existing tests or for which tests are not performed. Moreover, because the INTERCEPT systems use Cerus's proprietary Helinx technology to crosslink DNA and RNA of susceptible pathogens, we believe that they will inactivate most emerging pathogens that have not yet been identified or for which tests have not yet been developed. The INTERCEPT systems are designed to ensure that the blood supply becomes safer, even as new pathogens emerge that would otherwise pose threats to its safety.

*www.americasblood.org


...because of her.


...because of him.

Nearly 1.4 million people in the United States alone will be diagnosed with cancer in 2006. Our proprietary immunotherapy platform may enable new treatments that harness the power of each patient's immune system to fight cancer.

Drew Pardoll, M.D., Ph.D.
Co-Director
Sidney Kimmel Cancer Center
The Johns Hopkins University
School of Medicine
Chair, Cerus Immunotherapy
Scientific Advisory Board

"By stimulating cancer-specific immune responses, Cerus's proprietary Listeria platform has the potential to eliminate cancer cells without harming normal tissue. Listeria-based immunotherapies represent a leap forward from those that have thus far been tested and may also be combined with other therapeutic modalities, enabling novel treatment paradigms."

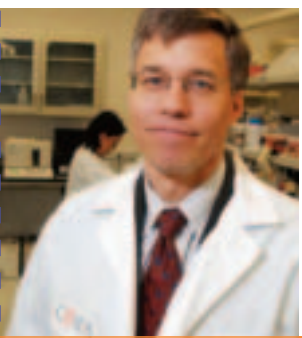
Novel Cancer Immunotherapies

In 2005 we made significant progress in advancing our proprietary Listeria-based cancer immunotherapy program. Preclinical data regarding the safety and anti-tumor activity of Listeria-based therapeutic cancer vaccines were presented at the American Association of Cancer Research Annual Meeting. We are pleased to see a growing enthusiasm for this innovative therapeutic approach by members of the scientific and medical communities.

A focused effort on advancing our cancer immunotherapy program enabled us to file an Investigational New Drug (IND) application for CRS-100 with the U.S. Food and Drug Administration in 2005. In 2006, we expect to initiate a trial of CRS-100 in patients with cancers that have metastasized to the liver. Data generated through the clinical trial of CRS-100 will provide a foundation on which to advance the additional Listeria-based therapeutic cancer vaccines that are in development. These include our second cancer immunotherapy, CRS-207, which we are developing as a treatment for pancreatic and ovarian cancer and MEDI 543 (EphA2), which is being developed by Medimmune, Inc., for treatment of solid tumors.

Many known infectious diseases, emerging pathogens and potential biological weapons cannot be addressed with current treatment and prevention strategies. Cerus is leveraging two proprietary platforms to develop novel infectious disease therapies and prophylactic vaccines.

David N. Cook, Ph.D.
Vice President, Research
and Development
Cerus Corporation



"Cerus's KBMA (Killed But Metabolically Active) technology is a significant advance in vaccine development. This technology, as well as the company's Listeria platform, may enable new paradigms for treating and preventing life-threatening infectious diseases."

Novel Anti-Infectives

Our KBMA vaccine platform gained important visibility in 2005. In July, preclinical data describing the safety and efficacy of KBMA vaccines in models of infectious diseases and cancer were published as the cover story in the journal *Nature Medicine*. As part of a research consortium, we received notification of a three-year, $2.8 million contract from the National Institute of Allergy and Infectious Diseases to develop a KBMA-based vaccine against *Francisella tularensis*. There is growing concern that *Francisella tularensis* could be developed for use as a biological weapon. This contract will help to advance the science underlying the KBMA platform, supporting our efforts to leverage the potential of the technology to treat chronic infectious diseases. Additionally, we believe that our biodefense programs provide potential out-licensing opportunities.

Capabilities gained through our biodefense programs will enhance our ability to apply the KBMA technology to the development of therapeutic vaccines for life-threatening infectious diseases such as hepatitis B and C. Most therapies in development for hepatitis B and C are designed to limit viral replication. In contrast, therapeutic KBMA vaccines are designed to stimulate the patient's own immune system to kill infected cells and thus eliminate the virus. This may provide a new path to a cure for chronic infectious diseases that affect millions of people around the world.


...because of them.

We do what we do…

At Cerus, we know that what we have done in 2005 creates the foundation of what we must do in 2006 and beyond. Protecting health, improving outcomes, extending survival. This is what patients need. This is what we strive to do. You are why we care so much about reaching our goals.

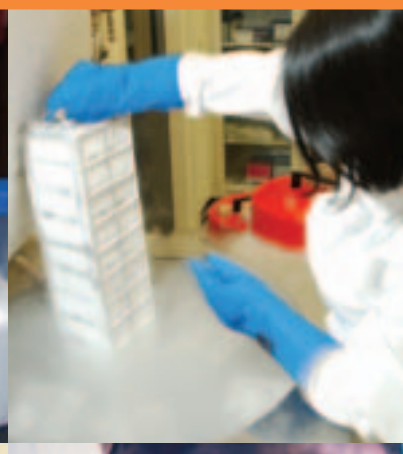






Because we can. Because we care. Because of you.




Executive Management, Directors and Scientific Advisory Boards

Executive Management

Claes Glassell
President and Chief Executive Officer

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Vice President, Research and Development

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

William J. Dawson
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Chief Financial Officer

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William M. Greenman
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President and Chief Executive Officer

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and Director, NYU Cancer Institute's Tumor
Vaccine Program

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Stanford University School of Medicine

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Center and Division of Oncology, University of
Washington

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University School of Medicine

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Professor, School of Public Health, University of
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Transfusion Services, University of Virginia
School of Medicine

Darrell Triulzi, M.D.
Medical Director, Institute for Transfusion
Medicine, Pittsburgh, PA, Associate Professor,
Pathology and Director, Division of Transfusion
Medicine, University of Pittsburgh Medical
Center

Corporate Information

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San Francisco, California

Patent Counsel

Morrison & Foerster LLP
Palo Alto, California

Auditors

Ernst & Young LLP
Palo Alto, California

Registrar and Transfer Agent

Wells Fargo Bank, N.A.
161 North Concord
South St. Paul, Minnesota 55075

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 5th, 2006
Cerus Corporation
2411 Stanwell Drive
Concord, California 94520

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. 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.

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CERUS

COOL SCIENCE. DYNAMIC PEOPLE. PATIENT FOCUS.

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