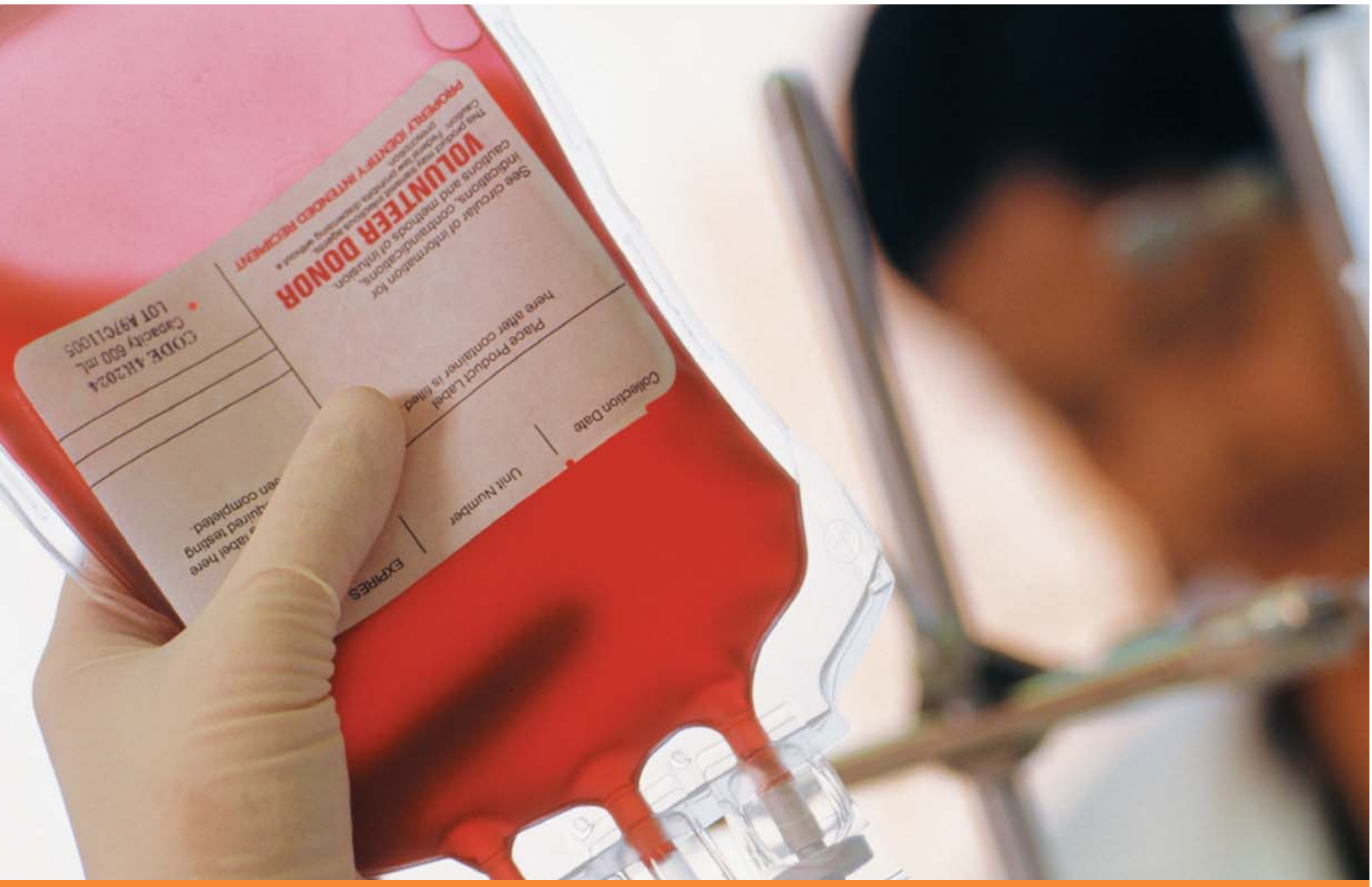
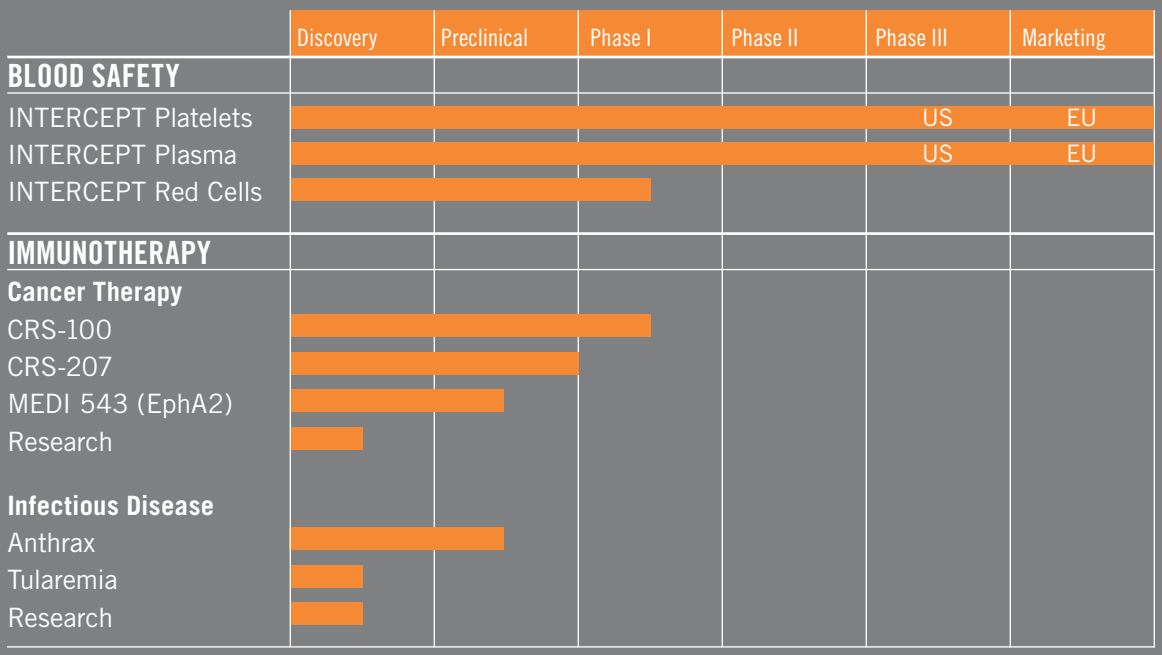


COMMITTED TO PATIENTS, SCIENCE, SUCCESS

Cerus 2006 Annual Report

CERUS

Product Pipeline



CERUS CONDUCTED HEMOVIGILANCE STUDIES IN ROUTINE USE FOR OVER 12,000 TRANSFUSIONS TO FURTHER ESTABLISH THE SAFETY PROFILE OF INTERCEPT PLATELETS. ADDITIONAL STUDIES HAVE BEEN CONDUCTED IN PEDIATRIC PATIENTS TO EXPAND THE EXPERIENCE OF EARLIER CLINICAL TRIALS. TO DATE, MORE THAN 60,000 DOSES OF PLATELETS HAVE BEEN PREPARED AND TRANSFUSED IN OVER 40 BLOOD CENTERS IN 13 EUROPEAN COUNTRIES.

COMMITTED

Patients. Science. Success. These are what matter most to every member of the Cerus team. We believe that the promise of our science can best be realized by innovating novel products that may transform patient care. We focus the power of our science through the lens of patient need in order to identify products with clear medical and market potential.

We have two marketed products in Europe to enhance blood safety, and our product development programs focus on improving the treatment of cancer and infectious diseases. We are committed to building science that is meaningful to patients, physicians and the healthcare system.

"At Cerus, we are committed to patients, science and success. Our achievements throughout this past year demonstrate our dedication to utilizing our technologies to create innovative products that address critical and unmet medical needs. We are committed to translating our technologies in the fields of blood safety and immunotherapy into opportunities for success – for patients, healthcare providers and payors, our investors and our company."

– **Claes Glassell,** President & CEO, Cerus Corporation

TO OUR STOCKHOLDERS:

For Cerus, 2006 was a transformational year. We began the year by gaining rights to our INTERCEPT Blood System from Baxter International Inc. We then delivered on key initiatives throughout the year, particularly in our blood safety business. As a result of receiving European CE mark approval for the INTERCEPT plasma system in November 2006, we ended the year with two marketed products in Europe. We also fully enrolled patients in a Phase I clinical trial for our INTERCEPT red blood cell system in the United States, and established a European organization to support our sales and marketing initiatives. Our lead immunotherapy product candidate entered a Phase I clinical trial, and we have since received two separate research grants based on the promising technology platform that is the foundation for this program. The attainment of these many milestones confirms our dedication to our many constituents.

COMMERCIAL PROGRESS

Our momentum in 2006 was set in motion early in the year by gaining rights to develop and market the INTERCEPT Blood System from Baxter International Inc. The ability to market the INTERCEPT system under the Cerus brand is an important step in our evolution as a commercial organization. We intensified our presence in the European Union market by establishing a European subsidiary based in the Netherlands and hiring an experienced sales force throughout Europe, whose sole focus is to promote the INTERCEPT system. Our European presence has allowed Cerus to work closely with blood safety experts in key markets, leveraging the clinical and technical expertise of our sales force and scientific support. Our sales force also has been introducing blood centers to the benefits of the INTERCEPT Blood System. We believe that, as a paradigm shift away from testing, INTERCEPT will lead to significant improvement in European blood safety.

Cerus' marketing efforts were center stage at the September 2006 congress of the International Society of Blood Transfusion in Cape Town, South Africa. There, we promoted the INTERCEPT Blood System under the Cerus brand. Our technology was the subject of 20 scientific abstracts, and Cerus hosted a standing-room-only symposium featuring notable world blood safety experts. Feedback received from congress attendees on the INTERCEPT Blood System was highly positive. Blood bankers told us that they value Cerus' commitment to blood safety and appreciate the economic and logistic synergy between the INTERCEPT platelet and plasma systems.

In November, Cerus received CE mark approval for the INTERCEPT Blood System for plasma. Receipt of this approval now allows Cerus to market the plasma system in many countries of the European Union. This regulatory approval was received in less than one year from our filing date, demonstrating Cerus' commitment to delivering on its stated goals in a timely manner.

Our momentum carried into 2007, as the French regulatory agency for medical products granted regulatory approval in January for use in France of plasma treated with the INTERCEPT system. Two weeks later, the Paul Ehrlich Institute, which regulates blood components in Germany, approved the marketing of platelets treated with the INTERCEPT system by a German blood center, the first approval anywhere in Germany.

Our European sales team is on the way to establishing Cerus as the market leader for pathogen inactivation of blood components prior to transfusion.

CLINICAL DEVELOPMENT

We made progress in our clinical-stage blood safety and immunotherapy programs during 2006. We have fully enrolled patients in a U.S. Phase I clinical trial for the red blood cell system, which will evaluate the viability of red blood cells treated with the INTERCEPT system. The potential market opportunity in the United States, Europe and Asia for the red blood cell system is estimated to be in excess of $2.3 billion annually. We also initiated a Phase I clinical trial in the United States for our lead immunotherapy product candidate, CRS-100. This study is designed to determine the maximum tolerated dose and safety profile of a single dose of CRS-100 in adult patients with cancers that have metastasized to the liver.

LOOKING TOWARD THE FUTURE

Our commitment to patients, science and commercial success is unwavering. We will continue to focus on reaching key commercial, clinical and research goals, creating value-added catalysts for patients, the healthcare system and our shareholders.

Charting new ground as the sole marketer of INTERCEPT in Europe, it was clear to us that we would need to raise additional capital to achieve our near-term goals. In 2006, we raised a total of $66.7 million in two separate stock offerings, broadening our institutional investor ownership and expanding our analyst coverage. We now have adequate capital to fund operations through 2008.

Key priorities in the months ahead are to drive broader customer adoption for INTERCEPT products and to ensure that we can satisfy growing European customer demand for the INTERCEPT Blood System. We anticipate that the recent regulatory approvals in both France and Germany will lead to the signing of long-term contracts with regional blood centers in those countries, in turn accelerating broader European adoption of INTERCEPT.

In our clinical stage programs, we expect to file an Investigational New Drug Application for CRS-207, a therapeutic vaccine candidate for pancreatic, ovarian and non-small cell lung cancers, as well as mesothelioma, and subject to FDA concurrence, to initiate a Phase I clinical trial for CRS-207.

We will continue working to maximize shareholder value by continuing to drive adoption of our commercial products and remaining a financially disciplined company.

We are Cerus, delivering on our commitment to patients, science and success.

Claes Glassell
President & CEO
Cerus Corporation

April 27, 2007

"Bacterial contamination is the most significant infectious risk facing platelet transfusion recipients today. I believe patients will benefit from the higher level of protection offered by the INTERCEPT system, and I'm pleased that Lübeck can now supply INTERCEPT-treated platelets to our local hospitals."

– **Dr. Peter Schlenke,** Head of the Blood Donation Center of the Institute of Immunology and Transfusion Medicine, University of Lübeck School of Medicine

THE INTERCEPT BLOOD SYSTEM

The INTERCEPT Blood System is based on our Helinx technology, which cross-links nucleic acids (DNA and RNA) to prevent biological replication. When applied to blood components, the treatment targets pathogens such as viruses, bacteria and parasites, neutralizing their capacity to cause infection in transfusion recipients. White blood cells from the blood donor, which can cause harmful reactions in recipients, are also inactivated during the process. The three transfused components of blood – platelets, plasma and red blood cells – do not require DNA or RNA to function, so their therapeutic properties are not compromised.

The INTERCEPT system is the only pathogen inactivation system licensed in Europe to treat both platelets and plasma units, delivering performance, flexibility and a higher level of process control for blood centers. The INTERCEPT platelet and plasma systems utilize the same illumination device, process and active compound in an open platform that is readily compatible with whole blood and apheresis collections. Over 60,000 INTERCEPT-treated platelet concentrates have been transfused to date, and the technology has been used clinically in over 40 blood centers located in 13 European countries. Plasma donations treated with the INTERCEPT system were evaluated in six clinical trials, with approximately 5,000 units transfused in all major indications for plasma transfusion.

Significantly, the INTERCEPT platelet system provides a unique and compelling value proposition to blood centers and healthcare providers. The INTERCEPT platelet system replaces multiple other technologies currently used, such as bacterial detection, Cytomegalovirus testing and gamma irradiation. The system also provides important processing benefits, allowing customers to optimize whole blood and apheresis collection. INTERCEPT-treated platelets may be stored for up to seven days, reducing the number of units discarded as a result of expiration. In routine use, blood centers

(continued on page 9)

The Chikungunya Virus Epidemic in La Réunion

How France's national blood authority, EFS, acted quickly to protect the safety of platelets during an epidemic.

Today, deadly viruses can move easily to Europe as travelers return from infected areas. Though some individuals will become ill, many more may experience few or no symptoms, and never recognize they have been infected. Also, these diseases are spread by migrating animals such as birds, or even mosquitoes trapped inside imported flowers and bamboo plants.

PANDEMIC PREPAREDNESS IS ESSENTIAL TO PROTECT THE NATIONAL BLOOD SUPPLY

Even in countries with the most advanced blood systems, the blood supply remains vulnerable to new infectious diseases. Each year brings a new threat from diseases such as Avian flu, West Nile, Dengue Fever or the current Chikungunya virus crisis in the Indian subcontinent. The Etablissement Français du Sang, or EFS, which is in charge of blood collection and preparation in France, must constantly monitor the worldwide incidence of infections. During a pandemic of a blood-borne disease, when large numbers of people become infected at once, it is especially difficult to maintain the supply of safe blood products. Recent experience in the overseas department of La Réunion during the Chikungunya virus epidemic demonstrates the difficulties faced by local blood authorities during a national health emergency.

VIRUSES SPREAD ACROSS BORDERS QUICKLY

Today, deadly viruses can move easily to Europe as travelers return from infected areas. Though some individuals will become ill, many more may experience few or no symptoms, and never recognize that they have been infected. Also, these diseases are spread by migrating animals such as birds, or even mosquitoes trapped inside imported flowers and bamboo plants.

Unfortunately, these new threats can be difficult to recognize when they first appear as there may be no existing tests, and infected blood may slip into the blood supply. French blood donors must pass a detailed medical history questionnaire and are then tested to ensure they are free of particular infections such as HIV and hepatitis. To achieve an even higher level of safety, the EFS has evaluated a newer type of technology called pathogen inactivation, or PI. PI treatment can kill harmful organisms such as viruses and bacteria, similar in concept to routine pasteurization of milk and other dairy products. When PI is in use, infectious threats can be neutralized even before infected donors are identified.

CHIKUNGUNYA VIRUS EPIDEMIC IN LA RÉUNION: IMPACT ON THE LOCAL BLOOD SUPPLY

In late 2005, the EFS faced an unexpected challenge to the national blood supply when La Réunion became the epicenter of an explosive regional outbreak of Chikungunya virus. Spread by the bite of infected mosquitoes, the disease causes flu-like symptoms including severe headache, fever, nausea, and joint pain. In fact, the curious name is Swahili for 'that which bends up' because of the stooped posture of victims suffering from sore joints. In contrast to earlier epidemics, in this outbreak the Chikungunya virus had undergone genetic changes and become more infectious and caused more serious disease such as bleeding, hepatitis, meningitis and fetal infection. The death rate from this infection was estimated to be 1 per 1,000 infected patients.

By April 2006, this island in the Indian Ocean had an epidemic, with over 250,000 infections out of a total population of approximately 750,000. With one in three inhabitants already infected, and the remaining two-thirds at risk, EFS officials concluded that local blood donors were not safe (i.e., free of Chikungunya virus) without significant changes to standard blood collection and processing. Though implementation of new donor screening questions has often been used as a first line of response during epidemics, this simple precaution was not an option for La Réunion's blood centers.

For two blood components, plasma and red blood cells, temporarily importing units from metropolitan France was the most practical solution, but the third blood component, platelets, could not be imported because of the transportation time.

MAKING LOCAL BLOOD SAFE: A NEW PI TECHNOLOGY FOR PLATELETS

The INTERCEPT Blood System is designed to inactivate most harmful infections of emerging viruses such as West Nile and Dengue fever, as well as parasites that cause malaria and Chagas' disease. In addition, the treatment also inactivates white blood cells and bacteria present in donated blood, which can be harmful to the blood recipient.

The EFS made a rapid decision to implement INTERCEPT in La Réunion to avoid critical shortages of platelets. Even though the process was not yet widely used in France, the process has been extensively studied by EFS Alsace under the direction of Prof. J.P. Cazenave, and personnel from Strasbourg traveled immediately to La Réunion to ensure that installation and training were successful.

Since then, the system has been used to treat over 1,500 units of platelets that otherwise might not have been available to the island hospitals.

CHIKUNGUNYA VIRUS SPREADS TO EUROPE

Chikungunya cases have now been identified in six European countries, including over 700 cases in France. These infections were diagnosed in travelers returning from the Indian Ocean, a popular tourist destination. Eurostat estimates that in 2004, over 1.4 million people traveled from Madagascar, Mauritius, Mayotte, La Réunion and Seychelles to the European mainland.

With the recognition that infections were being imported came concern about the possibility of a local Chikungunya epidemic within Europe. The Asian tiger mosquito that spreads the disease, *Aedes albopictus*, has been found in a number of areas including the South of France and Corsica.

"What we learned in La Réunion was that pathogen inactivation may be the only blood safety option to prevent transmission during an epidemic, and that we can implement a new system very easily and with little extra training. Since it started, the new INTERCEPT system has stood up to the rigors of daily use and their hospitals are operating with supplies of inactivated platelets, which are essential for their patients."

— Prof. J.P. Cazenave, a member of the Académie Nationale de Médecine

At a March 2006 meeting in Stockholm, the European Centre for Disease Prevention and Control concluded that there is a risk for Chikungunya transmission in Europe, though the risk is difficult to determine and would probably be limited to certain regions. The group of experts also stressed the need to broaden the risk assessment to vector-borne diseases in general like West Nile and Dengue fever.

A ROLE FOR PI IN ROUTINE BLOOD SAFETY

European blood centers need a method that can kill harmful organisms in donated blood so that viruses and parasites can be prevented from infecting blood recipients. Since August 2006, EFS Alsace, under the direction of Prof. Cazenave, a leading blood expert and member of the Académie Nationale de Médecine, has treated 100% of its platelet supply with the INTERCEPT system with no impact on daily operations or the supply of platelets. In fact, treating physicians in the hospitals supplied by EFS Alsace have observed a reduced number of acute transfusion reactions after using these treated platelets.

Prof. Cazenave says: "We know that there is a risk for a pandemic to strike Europe, but we won't know what infection, where or when until it is already happening. It might not be Chikungunya, but it could be Avian influenza, it could be something else. We know our patients will continue to need transfusions. The challenge for blood centers is to plan for how we can continue to supply safe blood during a national health emergency like an epidemic."

"But pathogen inactivation is critical to blood safety at all times, not just during an epidemic. We already use pathogen inactivation treatment for France's plasma. However, for platelets and red blood cells, we currently rely on a range of other tests to detect a limited number of diseases. We can decide to add additional tests only when we know the problem. However, we will never be able to test for all the things that might be in each blood donation. Pathogen inactivation treatment inactivates the widest spectrum of infections from viruses, parasites and bacteria."

INTERCEPT TREATMENT NOW AVAILABLE FOR BOTH PLASMA AND PLATELETS

The INTERCEPT Blood System for plasma has recently received CE mark registration in Europe, and plasma treated with the INTERCEPT system has received French regulatory approval. Therefore, INTERCEPT is the first pathogen inactivation process that can be applied to both platelets and plasma.

COMMITTED TO PATIENTS

AT CERUS, WE ARE COMMITTED TO HELPING PATIENTS LIVE BETTER LIVES THROUGH OUR SCIENTIFIC TECHNOLOGIES.

have reported reductions in transfusion-related adverse events, indicating the INTERCEPT platelet system may help reduce hospitalization costs. Finally, the use of the INTERCEPT system may reduce the need to add additional tests as new pathogens emerge.

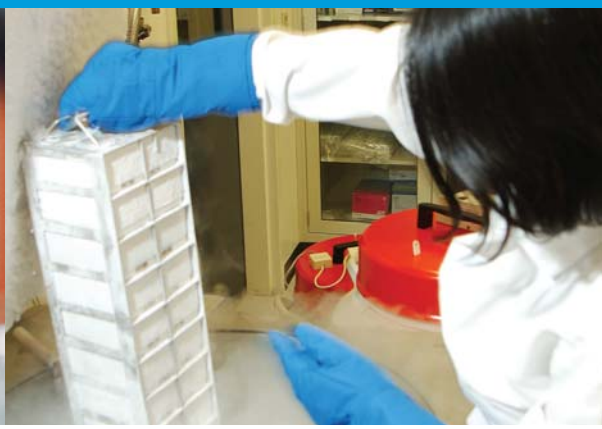
The INTERCEPT plasma system also offers blood centers and healthcare payors a strong value proposition. The plasma system is priced competitively against other means of pathogen inactivation for plasma and yet offers broader spectrum inactivation of pathogens and logistical advantages. These product attributes combine to make the INTERCEPT plasma system a superior solution for making transfused plasma units safer.

Cerus initiated a Phase I clinical trial of the INTERCEPT red blood cell system in the United States during the third quarter of 2006. An estimated 35 million units of red blood cells are transfused in Europe, the U.S. and Japan each year to treat various indications ranging from severe trauma to genetic disorders. The INTERCEPT red blood cell system has been developed to inactivate blood-borne pathogens while leaving the therapeutic properties of red blood cells intact. At the congress of the International Society of Blood Transfusion, data from ongoing studies on the INTERCEPT system's ability to inactivate pathogens in red blood cells using its modified S-303 treatment process were reported. Researchers found that the process effectively inactivates bacteria, including Staphylococcus aureus and Staphylococcus epidermidis, Yersinia enterocolitica, Escherichia coli and Serratia marcescens, as well as viruses such as HIV.

We believe that the recent European regulatory approvals for the INTERCEPT system will support and expedite adoption of the INTERCEPT system for platelets and plasma in other countries.

COMMITTED TO SCIENCE

OUR BLOOD SAFETY AND IMMUNOTHERAPY PLATFORMS ARE EACH BASED ON PROPRIETARY TECHNOLOGIES, REFLECTING OUR COMMITMENT TO SCIENTIFIC DISCOVERY AND FOCUSED PRODUCT DEVELOPMENT.



IMMUNOTHERAPY

Cerus has several active immunotherapy product candidates that are based on our novel proprietary attenuated *Listeria* platform. Cancer cells are able to proliferate because the immune system fails to recognize them as foreign or abnormal, a condition known as immunologic tolerance. Our cancer immunotherapy candidates are designed to stimulate both innate and adaptive immune responses that may overcome this tolerance and enable the destruction of malignant cells. Many late-stage cancer vaccines have lacked the potency to break tolerance, and we believe that the potency of our *Listeria* platform provides the potential to be an advancement in cancer therapy.

Our most advanced immunotherapy candidate is CRS-100. CRS-100 is a proprietary attenuated strain of the bacterium *Listeria monocytogenes*, an organism known to induce potent innate and adaptive immune responses. In the third quarter of 2006, we began enrolling patients in a clinical trial for CRS-100. This trial is designed to evaluate the safety and tolerability of CRS-100 in patients who have cancer that has metastasized to the liver and is refractory to standard treatment (or for whom no standard treatment is available). This study has experienced slower than expected patient enrollment. Working with the Institutional Review Boards at our clinical trial sites, we have modified the protocol so as to expand patient eligibility and accelerate dose escalation. We are also qualifying an additional clinical site to increase enrollment.

It is evident that the immune system can play a significant role in treating cancer. The challenge is to find safe and effective ways to generate potent immune responses that target cancer cells. Many late-stage cancer vaccines have lacked the potency to break immunologic tolerance, and we believe that the potency of our *Listeria* platform provides the potential to be an advancement in cancer therapy.

We also made progress in the preclinical development of CRS-207, a therapeutic vaccine candidate for pancreatic, ovarian and non-small cell lung cancers, as well as mesothelioma. CRS-207 is being developed using the same proprietary strain of attenuated *Listeria* used in CRS-100, but in this product candidate the strain is engineered to express mesothelin, a protein found with high prevalence in pancreatic, ovarian and non-small cell lung cancers. Cerus conducted a multi-dose toxicology study in non-human primates that showed the ability of CRS-207 to break tolerance to mesothelin.

COMMITTED TO SUCCESS

BY PIONEERING OUR TECHNOLOGIES, THE SUCCESSES ACHIEVED THIS PAST YEAR ACROSS OUR COMMERCIAL AND CLINICAL DEVELOPMENT PROGRAMS REFLECT OUR COMMITMENT TO SUCCESS AS A COMPANY.

COMMITTED TO PATIENTS, SCIENCE AND SUCCESS

In 2006, Cerus delivered on major milestones. We have already met two of our milestones for 2007: receipt of French national approval and the first receipt by a blood center in Germany of approval to sell INTERCEPT-treated platelets.

To be committed is to be bound to a particular cause or course of action. Our cause is to improve the care of patients with serious medical conditions. Our course of action is to translate innovative science into products that address unmet medical needs.

We thank you for your support and look forward to sharing our success with you in the months ahead.

Executive Management and Board of Directors

Executive Management

Claes Glassell
President and Chief Executive Officer

William M. Greenman
President, Cerus Europe

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

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

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

Thomas W. Dubensky, Ph.D.
Vice President, Vaccine Research

Howard G. Ervin
Vice President, Legal Affairs

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.
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.

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Ernst & Young LLP
Palo Alto, California

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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 4th, 2007
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. 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

COMMITTED TO PATIENTS, SCIENCE, SUCCESS

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