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SERONO S A
Form 6-K
February 03, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of February, 2003

Serono S.A.

(Registrant's Name)

15 bis, Chemin des Mines
Case Postale 54
CH-1211 Geneva 20
Switzerland

(Address of Principal Executive Offices)

1-15096

(Commission File No.)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F X Form 40-F
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(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1).)

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(7).)

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No X
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(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-)

[GRAPHIC OMITTED]
SERONO

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Media Release

FOR IMMEDIATE RELEASE

SERONO 2002 REVENUES BREAK THROUGH THE \$1.5 BILLION MARK
PRODUCT SALES UP 13.9% TO \$1.42 BILLION

- STRONG FOURTH QUARTER WITH REVENUES UP 20.9% TO \$442M
AND EXCELLENT PERFORMANCE OF REBIF IN US AND EUROPE -

GENEVA, SWITZERLAND, FEBRUARY 3, 2003 - Serono S.A. (virt-x: SEO and NYSE: SRA), the third largest biotechnology company in the world, today reported its fourth quarter and full year results for the period ended December 31, 2002.

KEY POINTS FOR FULL YEAR 2002

- Total revenues up 12.4% to \$1,546.5m
- Product sales up 13.9% to \$1,423.1m, with Neurology sales up 44.6% to \$548.8m and Reproductive Health franchise growing 8.3% to \$621.9m
- Reported net income up 1.3% to \$320.8m and up 14.6% to \$333.8m on a like-for-like* basis, reflecting final stage of phase-out of urine-derived products
- Net cash flows from operating activities up 31.4% to \$532.0m
- Reported EPS of \$20.07 per bearer share and \$0.50 per ADS and like-for-like* EPS of \$20.88 per bearer share and \$0.52 per ADS. Proposed dividend of CHF7.00 per bearer share and of CHF0.175 per ADS**
- Two in-licensing agreements signed in fourth quarter - Novantrone(R), a marketed product in the US, from Amgen and cladribine from IVAX
- 2003 outlook is growth of 15% to 20% in total revenues and net income growth of 15% to 20% on a reported basis

"2002 was a very successful year for our company. We broke through the \$1.5 billion revenue mark and achieved sales growth of 13.9%," said Ernesto Bertarelli, Chief Executive Officer of Serono. "I am particularly pleased with the excellent performance of Rebif in the US, and the significant investments we have made, which position us very well for future growth."

* Excluding a \$16.3m restructuring charge, related primarily to the closure of production facilities for urine-derived reproductive hormones, taken in the fourth quarter of 2002, and exceptional licensing payments of \$27.6m and \$0.6m received from a third party in 2001 and 2002 respectively from the divestiture of a product which was non-core to Serono's business - see attached income statements

** i.e. \$0.13 based on an exchange rate of \$1=CHF1.3578, as of January 31, 2003. The actual dividend will be based on the exchange rate in effect on the date the dividend is converted into \$ by the depositary for the ADS

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"Our excellent cash flow has led to a further strengthening of our balance sheet during the past year," said Allan Shaw, Chief Financial Officer. "This provides us with the financial flexibility to continue investing in opportunities to grow our business."

FOURTH QUARTER AND FULL YEAR FINANCIAL PERFORMANCE

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Total revenues increased by 12.4% to \$1,546.5m in the full year 2002, and by 20.9% to \$442.1m in the fourth quarter (2001: \$365.6m).

Worldwide product sales were \$1,423.1m in 2002, up 13.9% (2001: \$1,249.4m), and up 21.0% to \$409.4m in the fourth quarter (2001: \$338.4m).

Royalty and licensing income was \$123.4m in 2002 (2001: \$127.1m which included exceptional payments of \$27.6m from a third party related to the divestiture of a product which was non-core to Serono's business). It was up 20.1% to \$32.7m (2001: \$27.2m) in the fourth quarter. This increase largely reflects the licensing income related to the co-promotion with Pfizer of Rebif(R) in the US.

The gross margin has increased to 84.3% of product sales in 2002 (2001: 82.9%), as a result of the continued increase in the proportion of biotechnology products among our total sales as well as further manufacturing improvements leading to higher production yields. In the fourth quarter of 2002 recombinant products accounted for 87.9% of product sales (Q4 2001: 82.1%).

Selling, General and Administrative expenses were \$512.9m or 33.2% of total revenues in 2002 (2001: \$446.9m or 32.5% of total revenues), and 33.7% of revenues at \$148.9m in the fourth quarter (2001: \$126.7m or 34.7% of revenues).

Research and Development expenses were \$358.1m or 23.2% of total revenues (2001: \$308.6m or 22.4% of total revenues) in the full year, and \$95.4m or 21.6% of total revenues in the fourth quarter (2001: \$80.0m or 21.9% of total revenues).

In order to proceed with the final stage of closure of its production facilities for urine-derived reproductive hormone products in Italy, Serono decided to take a restructuring charge of \$16.3m in the fourth quarter. This business decision reflects Serono's strategic emphasis on high quality human proteins produced through recombinant technology for the treatment of infertility. We expect this final phase-out to have a positive impact on gross margin and a neutral effect on sales growth of reproductive health products over the next two to three years.

Other operating expenses in 2002 were \$85.8m (2001: \$70.2m). In the fourth quarter, the increase in other operating expenses to \$27.7m (2001: \$18.8m) reflects increased royalties to third parties related to Serono's product sales, as well as the amortisation of goodwill associated with the acquisition of Genset.

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Full year 2002 operating income increased by 3.5% to \$349.6m or 22.6% of revenues (2001: \$337.7m or 24.5% of revenues), and was \$88.6m in the fourth quarter or 20.0% of total revenues (2001: \$88.1m or 24.1% of total revenues).

Net financial income was \$36.5m in 2002 (2001: \$51.4m) reflecting the low interest rates in the past year, and was \$9.2m in the fourth quarter (2001: \$2.9m).

Total taxes in 2002 were \$63.1m, representing an overall tax rate of 16.4% of profit before tax (2001: \$69.8m, or 18.1% of profit before tax). In the fourth quarter, taxes were \$15.8m, or 16.2% of profit before tax.

Net income in the full year 2002 was up 1.3% to \$320.8m (2001: \$316.7m). On a like-for-like* basis net income in 2002 rose by 14.6% to \$333.8m, or 21.6% of total revenues. In the fourth quarter, reported net income grew 6.3% to \$81.6m or 18.5% of total revenues (2001: \$76.7m or 21.0% of total revenues).

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Despite the large fluctuation of the US dollar versus European currencies during the year, the broad geographic nature of our international operations provided a natural hedge to the company's currency exposures in 2002. The negative impact of translation of currency on our operating results was \$2.9m, or less than a 1% effect on reported net income.

Basic earnings per share (EPS) were \$20.07 per bearer share (2001: \$19.72) and \$0.50 per American Depositary Share (ADS) (2001: \$0.49). On a like-for-like* basis EPS were \$20.88 per bearer share (2001: \$18.14) and \$0.52 per American Depositary Share (ADS) (2001: \$0.45).

On May 6, 2003, the Board of Directors will propose to the Annual General Meeting a cash dividend of CHF7.0 per bearer share (2001: CHF 6.25) or CHF0.175 per ADS**, representing a payout ratio of 25.7% (2001: 18.8%) at current exchange rates.

For the full year ended 2002, net cash flow from operating activities was \$532.0m, up 31.4% compared to \$405.0m for 2001.

On July 15 Serono announced a share buy back program for the repurchase of bearer shares up to a value of CHF 500m over a three-year period. At the year end, 226,507 shares had been purchased on the open market, representing 34.6% of the authorised amount.

As of December 31, 2002, there were 15.851 million outstanding equivalent bearer shares. 5.5% of bearer shares were in the form of American Depositary Shares (24.957 million ADS outstanding) representing 3.9% of Serono's market capitalization.

* Excluding a \$16.3m restructuring charge, related primarily to the closure of production facilities for urine-derived reproductive hormones, taken in the fourth quarter of 2002, and exceptional licensing payments of \$27.6m and \$0.6m received from a third party in 2001 and 2002 respectively from the divestiture of a product which was non-core to Serono's business - see attached income statements

** i.e. \$0.13 based on an exchange rate of \$1=CHF1.3578, as of January 31, 2003. The actual dividend will be based on the exchange rate in effect on the date the dividend is converted into \$ by the depositary for the ADS

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NEUROLOGY - REBIF(R) BECOMES TOP-SELLING PRODUCT IN 2002

Full year sales of Rebif(R) (interferon beta 1-a) in multiple sclerosis were up 44.6% to \$548.8m (2001: \$379.6m) making it the Company's top selling product in 2002. In the fourth quarter, worldwide sales of Rebif(R) in MS increased by 55.3% to \$171.5m (2001: \$110.5m).

Building on the excellent US launch of Rebif(R) in March 2002, Serono successfully started the co-promotion with Pfizer and initiated a direct to consumer marketing campaign. Sales in the US were \$34.7m in the fourth quarter and \$71.2m for the full year. At the end of the fourth quarter, over 13,000 patients were being treated with Rebif(R) in the US and our estimated dollar market share was 8.5%.

Rebif(R) continues its market leadership outside the US with 2002 sales increasing by 25.8% to \$477.6m in the rest of the world (2001: \$379.6m), within which European sales increased by 29.9% to \$314.1m (2001: \$241.9m). In the

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fourth quarter of 2002 Rebif(R) sales in Europe were \$91.9m, an increase of 28.8%.

In November 2002, the 12-month data from the EVIDENCE study was published in the peer-reviewed journal Neurology. This data had been instrumental in overcoming the Orphan Drug status of Avonex(R), currently the market leading product for multiple sclerosis in the US. Publication of this data allows it to be more effectively disseminated in the neurological community worldwide.

In the fourth quarter of 2002 Serono successfully concluded its licensing agreement with Amgen for the marketed product Novantrone(R) in the US. Novantrone(R), for worsening forms of MS is complementary to Rebif(R) and makes Serono the only MS company to offer a portfolio of products to neurologists and patients. This is consistent with our strategy of building the leading MS portfolio.

REPRODUCTIVE HEALTH - COMPLETE RECOMBINANT PORTFOLIO DELIVERING RESULTS

In 2002, worldwide reproductive health sales grew 8.3%, which is faster than the overall reproductive health market, to \$621.9m (2001: \$574.3m) and by 7.1% to \$165.8m in the fourth quarter (2001: \$154.8m). Sales of Gonal-F(R) (recombinant human FSH) increased by 9.7% to \$450.4m (2001: \$410.5m) in the full year and by 10.6% to \$121.3m (2001: \$109.7m) in the fourth quarter.

Given the demonstrated benefits of recombinant products in infertility, Serono's strategy for some time now has been to replace old-generation urine-derived products as the recombinant products are registered and become available around the world. Recombinant human DNA technology is a superior method for providing human proteins for therapeutic use as it enables the production of consistent and extremely pure proteins in guaranteed quantities. In accordance with our strategy, the Company is now proceeding with the final closure of its production facilities for urine-derived products. During the phase-out period, urine-derived products will remain available on a country by country basis, and we expect substantial sales from existing inventory. At the end of 2002 recombinant products accounted for more than 89.9% of Serono's combined gonadotropin sales in the US and Europe.

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METABOLIC ENDOCRINOLOGY

Saizen(R) sales increased by 15.6% to \$124.0m (2001: \$107.3m) in 2002, and were up 24.8% to \$36.0m (2001: \$28.9m) during the fourth quarter.

Serostim(R) sales reached \$95.1m in the full year (2001: \$125.3m), and were \$26.5m (2001: \$27.0m) in the fourth quarter.

In October 2002, Serono announced the implementation of the new Serostim(R) Secured Distribution Program in the US. This is designed to track and manage Serostim(R) through the distribution process, and ensure that patients who require Serostim(R) receive genuine products on a timely basis.

REGIONAL SALES

North American sales grew by 22.8% to \$479.6m in 2002 (2001: \$390.6m). European sales increased by 14.4% to \$620.4m (2001: \$542.2m). Sales in the Middle East, Africa and Eastern Europe were up 28.0% to \$107.6m (2001: \$84.1m), and up 22.8% in Oceania to \$21.9m (2001: \$17.9m). Sales in Asia Pacific were up 1.4% to \$55.2m (2001: \$54.4m) and were steady at \$29.2m in Japan (2001: \$29.3m). Economic conditions in Latin America led to lower full year sales of \$109.2m

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(2001: \$130.9m).

SIGNIFICANT ADDITIONS TO DEVELOPMENT PIPELINE THROUGH LICENSING ACTIVITIES

2002 was a year of significant progress in the area of business development with the achievement of agreements with leading biotechnology partners for late-stage and marketed products. Through these agreements Serono has augmented its position in existing therapeutic areas and accelerated its entry into the important new area of psoriasis. Although associated with some earnings dilution in the short-term these agreements are expected to be catalysts for growth in the medium to long term. The key agreements concluded were:

- In November 2002 Amgen licensed to Serono the rights to commercialize Novantrone(R) (mitoxantrone) in the US.
- In August 2002 Genentech licensed to Serono the rights to develop and market Raptiva(TM) (efalizumab) for psoriasis worldwide, except for the US, Japan and certain Asian countries. This agreement also covers co-development of Raptiva(TM) for additional indications, including rheumatoid arthritis, which is currently in Phase 2.

In addition

- In July 2002 AstraZeneca licensed to Serono the rights to develop and market the aromatase inhibitor, anastrozole, in female infertility.
- In October 2002 IVAX and Serono agreed to develop and market cladribine, a potential oral therapy for MS.

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R&D NEWS

In 2002, Serono successfully acquired Genset, creating a unique genetics and genomics discovery platform. The integration of Genset is now completed.

During last year, the following projects have moved into or through the R&D pipeline:

- Following the positive outcome of a Phase 2 clinical trial for onercept (r-TBP-1) in psoriasis and psoriatic arthritis, a Phase 3 study is planned to start in the second half of this year.
- Raptiva(TM), in-licensed from Genentech, will be filed in Europe for moderate to severe psoriasis during the first quarter 2003 and is currently in Phase 2 in rheumatoid arthritis.
- Following the positive outcome of a Phase 3 clinical trial of Serostim(R) in short bowel syndrome, a regulatory submission has been made to FDA in the fourth quarter of 2002. Results from this study were also presented at the Nutrition Week meeting in San Antonio, Texas, on January 21, 2003.
- Phase 1 studies of r-IL-18 binding protein are now completed, and further studies in patients with psoriasis and rheumatoid arthritis are planned to start in 2003.
- A large Phase 2 study of anastrozole for ovulation induction will start in the US in the first quarter of this year.

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- The positive outcome of a Phase 2/3 clinical trial of Serostim(R) in HARS (HIV-associated adipose redistribution syndrome) was announced.
- A Phase 3 trial of r-IFN-beta 1a in Asian patients with chronic hepatitis C was initiated.
- PEG-GHRE (pegylated growth hormone releasing factor), which has the potential to treat disorders related to growth hormone deficiency, has recently moved to Phase 1 studies.
- Phase 1 trials of an oral formulation of cladribine, being developed by Serono and IVAX, are planned for 2003.
- A Phase 2 study of r-hLIF for the treatment of embryo implantation failure will be initiated in early 2003.
- Based on preclinical work in diabetic neuropathy, r-IL-6 (atexakin alfa) is moving into Phase 2.

OUTLOOK FOR THE FULL YEAR 2003

Given the strong outlook for Rebif(R), the performance of Reproductive Health, and taking into account the business developments of 2002, Serono expects US dollar growth in 2003 of 15% to 20% in total revenues and US dollar net income growth of 15% to 20% on a reported basis.

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CONFERENCE CALL AND WEBCAST

Serono will hold a conference call today, February 3, 2003, starting at 3.00 pm Central European Time (09.00 am Eastern Time) during which Serono Management will present the Company's Fourth Quarter and Full Year 2002 Results. To join the telephone conference please dial 091 610 5600 (from Switzerland), 0207 866 4111 (from the UK), 412 858 4600 (from the US) and +41 91 610 5600 (from elsewhere). Telephone playback will be available one hour after the conference call and until close of business 5.00 pm CET on February 5, 2003. To access this playback please dial the following numbers: 091 612 4330 (from Switzerland), 0207 866 4300 (from the UK), 412 858 1440 (from the US) and +41 91 612 4330 (from elsewhere) and enter the PIN code 247# from a touch tone telephone.

The event will also be relayed by live audio webcast which interested parties may access via Serono's Corporate home page, www.serono.com. A link to the webcast will be provided immediately prior to the event. Additionally, the webcast will be available for replay until close of business on February 18, 2003.

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Some of the statements in this press release are forward looking. Such statements are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Serono S.A. and affiliates to be materially different from those expected or anticipated in the forward-looking statements. Forward-looking statements are based on Serono's current expectations and assumptions, which may be affected by a number of factors, including those discussed in this press release and more fully described in Serono's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission on May 21, 2002. These factors include any failure or delay in Serono's ability to develop new products, any failure to receive anticipated regulatory approvals, any problems in commercializing

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current products as a result of competition or other factors, our ability to obtain reimbursement coverage for our products, and government regulations limiting our ability to sell our products. Serono has no responsibility to update the forward-looking statements contained in this press release to reflect events or circumstances occurring after the date of this press release.

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ABOUT SERONO

Serono is a global biotechnology leader. The Company has six recombinant products on the market, Gonal-F(R), Luveris(R), Ovidrel(R)/Ovitrelle(R), Rebif(R), Serostim(R) and Saizen(R) (Luveris(R) is not approved in the USA). In addition to being the world leader in reproductive health, Serono has strong market positions in neurology, metabolism and growth. The Company's research programs are focused on growing these businesses and on establishing new therapeutic areas. Currently, there are over 30 projects in development.

In 2002, Serono achieved worldwide revenues of US\$1.546 billion, and a net income of US\$321 million, making it the third largest biotech company in the world. The Company operates in 45 countries, and its products are sold in over 100 countries. Bearer shares of Serono S.A., the holding company, are traded on the virt-x (SEO) and its American Depositary Shares are traded on the New York Stock Exchange (SRA).

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On the following pages, there are:

- Tables detailing sales in dollars by therapeutic area, geographic region and the top 10 products for the 3 and 12 months ended December 31, 2002 and 2001.
- The unaudited consolidated financial statements for the 3 and 12 months ended December 31, 2002 and 2001, including income statements, balance sheets and statements of cash flows, prepared in accordance with International Accounting Standards (I.A.S.).

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TOP TEN PRODUCTS

	* TA	THREE MONTHS ENDED DECEMBER 31, 2002			THREE MONTHS ENDED DECEMBER 31, 2001	
		\$ MILLION	% OF SALES	% CHANGE \$	\$ MILLION	% OF SALES
Rebif (R)	MS	171.5	41.9%	55.3%	110.5	32.6%
Gonal-F (R)	RH	121.3	29.6%	10.6%	109.7	32.4%
Saizen (R)	Growth	36.0	8.8%	24.8%	28.9	8.5%
Serostim (R)	Wasting	26.5	6.5%	(1.8%)	27.0	8.0%
Pergonal (R)	RH	13.3	3.2%	11.4%	11.9	3.5%
Metrodin HP (R)	RH	10.4	2.5%	(39.9%)	17.3	5.1%
Cetrotide (R)	RH	5.4	1.3%	38.1%	3.9	1.2%
Profasi (R)	RH	5.0	1.2%	(23.2%)	6.5	1.9%
Stilamin (R)	Other	3.7	0.9%	(26.5%)	5.0	1.5%
Crinone (R)	RH	3.1	0.8%	484.1%	(0.8)	(0.2%)

	* TA	TWELVE MONTHS ENDED DECEMBER 31, 2002			TWELVE MONTHS ENDED DECEMBER 31, 2001	
		\$ MILLION	% OF SALES	% CHANGE \$	\$ MILLION	% OF SALES
Rebif (R)	MS	548.8	38.6%	44.6%	379.6	30.4%
Gonal-F (R)	RH	450.4	31.7%	9.7%	410.5	32.9%
Saizen (R)	Growth	124.0	8.7%	15.6%	107.3	8.6%
Serostim (R)	Wasting	95.1	6.7%	(24.1%)	125.3	10.0%
Metrodin HP (R)	RH	50.1	3.5%	(25.3%)	67.1	5.4%
Pergonal (R)	RH	46.0	3.2%	20.7%	38.1	3.0%
Profasi (R)	RH	19.8	1.4%	(16.9%)	23.8	1.9%
Cetrotide (R)	RH	18.4	1.3%	73.1%	10.6	0.8%
Stilamin (R)	Other	13.9	1.0%	(17.9%)	16.9	1.4%
Crinone (R)	RH	10.9	0.8%	347.0%	2.4	0.2%

* THERAPEUTIC AREAS

RH = Reproductive Health Wasting = AIDS Wasting
MS = Multiple Sclerosis Growth = Growth Retardation

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CONSOLIDATED INCOME STATEMENTS

THREE MONTHS ENDED DECEMBER 31	2002 *	% OF	% change	2001 *
	US\$ '000	REVENUES		US\$ '000
Revenues				
Product sales	409,429		21.0%	338,440
Royalty and license income	32,654		20.1%	27,186
TOTAL REVENUES	442,083	100.0%	20.9%	365,626

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Operating Expenses				
Cost of product sales	65,167		25.4%	51,985
% of Sales	15.9%			15.4%
Selling, general and administrative	148,865	33.7%	17.5%	126,702
Research and development	95,418	21.6%	19.2%	80,042
Restructuring	16,303	3.7%	100.0%	0
Other operating expense, net	27,748	6.3%	47.7%	18,792
Total Operating Expenses	353,501	80.0%	27.4%	277,521
OPERATING INCOME	88,582	20.0%	0.5%	88,105
Financial income, net	9,152		210.9%	2,944
Other expense/(income), net	(175)			722
Total Non Operating Income, Net	9,327			2,222
Income Before Taxes and Minority Interests	97,909	22.1%	8.4%	90,327
Taxes	15,849			13,546
Income Before Minority Interests	82,060			76,781
Minority interests	474			42
NET INCOME	81,586	18.5%	6.3%	76,739
Exceptional items				
License income 1)	0			(419)
Restructuring charges 2)	16,303			0
Tax impact of exceptional items	(2,690)			34
NET INCOME W/O EXCEPTIONAL ITEMS	95,199	21.5%	24.7%	76,354

* Unaudited

- 1) Payments from a third party for the divestiture of a product which was non-core to Serono's business
- 2) Restructuring charges primarily related to phased closure of production facilities for urine-derived reproductive hormone products

	2002	2001	% CHANGE	2002 WITHOUT EXCEPTIONAL ITEMS
Basic Earnings per Share (in U.S. dollars)				
- Bearer shares	5.15	4.78	7.7%	6.01
- Registered shares	2.06	1.91	7.7%	2.40
- American depositary shares	0.13	0.12	7.7%	0.15
Diluted Earnings per Share (in U.S. dollars)				
- Bearer shares	5.14	4.77	7.8%	6.00
- Registered shares	2.06	1.91	7.8%	2.40
- American depositary shares	0.13	0.12	7.8%	0.15

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Basic earnings per share are calculated in accordance with IAS 33 (Earnings per Share) by dividing the net income of the group, US\$81.6 million (2001 US\$76.7 million), by an appropriate number of shares. This is 11,446,403 bearer shares (2001 11,655,237) and 11,013,040 registered shares (2001 11,013,040). The total weighted average equivalent number of bearer shares is 15,851,619 (2001 16,060,453) for the three months ended December 31, 2002. As each American depositary share represents ownership interest in one fortieth of a bearer share, basic and diluted earnings per American depositary share is calculated as one fortieth of the earnings per bearer share.

For diluted earnings per share, the total number of bearer shares is adjusted to assume conversion of all share options granted to employees and directors. The number of bearer shares used to calculate diluted earnings per share is 11,457,771 (2001 11,679,571).

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CONSOLIDATED INCOME STATEMENTS

TWELVE MONTHS ENDED DECEMBER 31	2002 *	% OF	% change	2001
	US\$'000	REVENUES		US\$'000
Revenues				
Product sales	1,423,130		13.9%	1,249,405
Royalty and license income	123,399		(2.9%)	127,065
TOTAL REVENUES	1,546,529	100.0%	12.4%	1,376,470
Operating Expenses				
Cost of product sales	223,751		5.0%	213,160
% of Sales	15.7%			17.1%
Selling, general and administrative	512,942	33.2%	14.8%	446,945
Research and development	358,099	23.2%	16.1%	308,561
Restructuring	16,303	1.1%	100.0%	0
Other operating expense, net	85,811	5.5%	22.3%	70,152
Total Operating Expenses	1,196,906	77.4%	15.2%	1,038,818
OPERATING INCOME	349,623	22.6%	3.5%	337,652
Financial income, net	36,476		(29.0%)	51,381
Other expense, net	1,658			2,548
Total Non Operating Income, Net	34,818			48,833
Income Before Taxes and Minority Interests	384,441	24.9%	(0.5%)	386,485
Taxes	63,127			69,816
Income Before Minority Interests	321,314			316,669
Minority interests	536			(52)
NET INCOME	320,778	20.7%	1.3%	316,721

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Exceptional items

License income 1)	(629)			(27,609)
Restructuring charges 2)	16,303			0
Tax impact of exceptional items	(2,640)			2,209

NET INCOME W/O EXCEPTIONAL ITEMS	333,812	21.6%	14.6%	291,321
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* Unaudited

- 1) Payments from a third party for the divestiture of a product which was non-core to Serono's business
- 2) Restructuring charges primarily related to phased closure of production facilities for urine-derived reproductive hormone products

	2002	2001	% CHANGE	2002 WITHOUT EXCEPTIONAL ITEMS
Basic Earnings per Share (in U.S. dollars)				
- Bearer shares	20.07	19.72	1.8%	20.88
- Registered shares	8.03	7.89	1.8%	8.35
- American depositary shares	0.50	0.49	1.8%	0.52
Diluted Earnings per Share (in U.S. dollars)				
- Bearer shares	20.04	19.68	1.8%	20.86
- Registered shares	8.02	7.87	1.8%	8.34
- American depositary shares	0.50	0.49	1.8%	0.52

Basic earnings per share are calculated in accordance with IAS 33 (Earnings per Share) by dividing the net income of the group, US\$320.8 million (2001 US\$316.7 million), by an appropriate number of shares. This is 11,580,610 bearer shares (2001 11,658,108) and 11,013,040 registered shares (2001 11,013,040). The total weighted average equivalent number of bearer shares is 15,985,826 (2001 16,063,324) for the twelve months ended December 31, 2002. As each American depositary share represents ownership interest in one fortieth of a bearer share, basic and diluted earnings per American depositary share is calculated as one fortieth of the earnings per bearer share.

For diluted earnings per share, the total number of bearer shares is adjusted to assume conversion of all share options granted to employees and directors. The number of bearer shares used to calculate diluted earnings per share is 11,598,154 (2001 11,687,609).

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CONSOLIDATED BALANCE SHEETS

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As of	DECEMBER 31, 2002 * US\$000	December 31, 2001
ASSETS		
Current Assets		
Cash and cash equivalents	686,033	1,100,000
Short-term investments	378,865	300,000
Trade accounts receivable	257,313	200,000
Inventories	259,477	100,000
Prepaid expenses	26,609	100,000
Other current assets	208,100	100,000
Total Current Assets	1,816,397	2,000,000
Long-Term Assets		
Property, plant and equipment	554,509	400,000
Long-term financial assets	711,201	200,000
Intangible assets	216,371	100,000
Deferred tax assets	136,687	100,000
Other long-term assets	59,509	100,000
Total Long-Term Assets	1,678,277	900,000
TOTAL ASSETS	3,494,674	3,000,000
LIABILITIES		
Current Liabilities		
Bank advances	70,093	100,000
Trade accounts payable	60,591	100,000
Current portion of long-term debt	23,505	100,000
Income taxes	55,152	100,000
Other current liabilities	332,893	200,000
Total Current Liabilities	542,234	500,000
Long-Term Liabilities		
Long-term debt	25,857	100,000
Deferred tax liabilities	12,080	100,000
Other long-term liabilities	452,140	200,000
Total Long-Term Liabilities	490,077	400,000
Total Liabilities	1,032,311	900,000
Minority Interests	1,165	100,000
SHAREHOLDERS' EQUITY		
Share capital	249,408	200,000
Share premium	866,689	900,000
Retained earnings	1,364,626	1,100,000
Fair value reserves	(44,807)	(100,000)
Cumulative foreign currency translation adjustments	25,282	(100,000)
Total Shareholders' Equity	2,461,198	2,100,000

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Total Liabilities, Minority Interests and Shareholders' Equity	3,494,674	3,0
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* Unaudited

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Twelve months ended December 31	2002 *	2001
	US\$000	US\$000
Cash Flows From Operating Activities		
Income before taxes and minority interests	384,441	386,485
Depreciation and amortization	100,552	98,906
Financial income	(64,645)	(75,858)
Financial expense	10,643	14,709
Other non-cash items	17,233	25,595
Cash Flows From Operating Activities Before Working Capital Changes	448,224	449,837
Working Capital Changes		
Trade accounts payable, other current liabilities and deferred income	208,341	20,530
Trade accounts receivable	(3,968)	(22,231)
Inventories	(32,620)	(37,335)
Prepaid expenses and other current assets	(25,482)	34,879
Taxes paid	(62,513)	(40,730)
NET CASH FLOWS FROM OPERATING ACTIVITIES	531,982	404,950
Cash Flows From Investing Activities		
Acquisition of subsidiary, net of cash acquired	(115,092)	-
Purchase of property, plant and equipment	(99,144)	(78,565)
Purchase of intangible and other long-term assets	(25,194)	(44,352)
Purchase of financial assets	(860,407)	(188,853)
Other non-current liabilities	(10,257)	1,653
Proceeds from sale of financial assets	344,362	871,343
Disposals of subsidiary, net of cash disposed	6,628	-
Proceeds from sale of property, plant and equipment	10,488	11,033
Interest received	48,005	76,076
Net Cash Flows From Investing Activities	(700,611)	648,335
Cash Flows From Financing Activities		
Proceeds from issuance of share capital	11,611	-
Proceeds from exercises of stock options	1,454	1,825
Purchase of treasury shares	(117,422)	(5,578)
Repayment of bank advances	(94,490)	639
Repayment of long-term debt	(17,642)	(73,701)
Interest paid	(8,120)	(13,810)

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Dividends paid	(64,240)	(53,759)

Net Cash Flows From Financing Activities	(288,849)	(144,384)

Effect of Exchange Rate Changes on Cash and Cash Equivalents	12,420	(819)

Net Increase in Cash and Cash Equivalents	(445,058)	908,082

Cash and Cash Equivalents		
- Beginning of period	1,131,091	223,009

- End of period	686,033	1,131,091

* Unaudited

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SERONO S.A.
a Swiss corporation
(Registrant)

February 3, 2003

By: /s/ Allan Shaw

Name: Allan Shaw
Title: Chief Financial Officer