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SERONO S A  
Form 6-K  
July 22, 2004

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 July, 2004

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  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   
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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-\_\_\_\_\_)

SERONO

Media Release

FOR RELEASE JULY 21, 2004, 4:01 pm ET  
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STRONG SECOND QUARTER WITH ROBUST EPS GROWTH OF 28.5%

- SIGNIFICANT REVENUE GROWTH AND GROSS MARGIN IMPROVEMENT  
PROPEL NET PROFIT UP 26.0% TO \$135.8M -
- 

ROCKLAND, MA, JULY 21, 2004 - 04:01 PM ET - Serono (virt-x: SEO and NYSE: SRA), the world's third largest biotechnology company, today reported its second quarter results for the period ended June 30, 2004.

### KEY POINTS FOR SECOND QUARTER 2004

- Total revenues up 15.6% to \$587.6m (up 11.2% in local currencies)
- Product sales up 15.2% to \$538.6m (up 10.6% in local currencies)
- Gross margin of 86.6% of product sales
- Net income up 26.0% to \$135.8m (up 21.5% in local currencies)
- Basic EPS up 28.5% to \$8.75 per bearer share and \$0.22 per ADS
- Significant expansion in Rebif(R)'s global sales and marketing activities initiated
- Unanimous positive opinion from the CHMP recommending approval of Raptiva(R) in the EU
- Phase III study of Serostim(R) in HARS initiated

"Our second quarter results are excellent with strong EPS growth of 28.5%," said Ernesto Bertarelli, Chief Executive Officer of Serono. "I am very pleased with the recent recommendation for Raptiva(R) made by the scientific committee of Europe's regulatory agency (CHMP). Raptiva(R) will further diversify our product portfolio and contribute to our future growth."

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### SECOND QUARTER FINANCIAL PERFORMANCE

Total revenues increased by 15.6% to \$587.6m in the second quarter of 2004 (Q2 2003: \$508.4m), or 11.2% in local currencies. Sales of marketed products climbed 15.2% to \$538.6m (Q2 2003: \$467.4m), or 10.6% in local currencies, despite the continued tightening of the pricing and reimbursement climate in some European countries. Royalty and license income increased by 19.4% to \$49.0m (Q2 2003: \$41.0m) primarily due to higher sales by various licensees.

Gross margin increased to 86.6% of product sales (Q2 2003: 84.8%), as a result of the improvement of product mix and continued productivity gains.

Selling, General and Administrative expenses were \$193.1m or 32.9% of total revenues (Q2 2003: \$158.1m or 31.1% of total revenues). The relative increase in SG&A as a percentage of revenues reflects the investment in promotional activities for the Gonal-f(R) prefilled pen, as well as pre-launch costs for Raptiva(R). Research and Development expenses were \$123.2m or 21.0% of total

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revenues (Q2 2003: \$108.5m or 21.3% of total revenues). Other operating expenses were \$53.7m (Q2 2003: \$50.9m).

Operating income increased by 21.2% to \$145.5m or 24.8% of total revenues (Q2 2003: \$120.0m or 23.6% of total revenues) and net financial income was \$15.3m (Q2 2003: \$12.8m), benefiting from foreign exchange hedging gains as a result of the strengthening of the Swiss franc against the Euro.

Total taxes were \$25.7m, representing an overall tax rate of 16.0% of profit before tax (Q2 2003: \$20.6m, or 16.0% of profit before tax).

Reported net income jumped 26.0% to \$135.8m (Q2 2003: \$107.7m), or 21.5% in local currencies. Basic earnings per share (EPS) were up 28.5% to \$8.75 per bearer share (Q2 2003: \$6.81) and \$0.22 per American Depositary Share (ADS) (Q2 2003: \$0.17).

For the first six months, net cash flows from operating activities increased 36.1% to \$252.1m (H1 2003: \$185.2m).

On May 25, 2004, a new share buy-back program was authorized for up to CHF 750 million, and following regulatory approval this program started in June 2004. The shares are purchased on the open market via a second trading line (security code SEOE), and will be subsequently cancelled.

As of June 30, 2004, there were 16,140,341 outstanding equivalent bearer shares of Serono S.A. including 708,271 treasury shares available for general corporate purposes.

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### NEUROLOGY

Given the multiple sclerosis market's significant growth potential, coupled with Rebif(R)'s long-term efficacy and unsurpassed ability to significantly delay accumulation of disability, Serono believes there is an opportunity to further grow Rebif(R)'s share. Serono is therefore increasing the size of its sales and medical teams, as well as introducing new field nurse programs, and extending call centers to many countries, to further support Rebif(R) patients.

In the second quarter, neurology sales were \$266.2m (Q2 2003: \$205.5m), up 29.5% or 23.6% in local currencies. Sales of Rebif(R) were up 29.2% (23.1% in local currencies) to \$257.1m (Q2 2003: \$199.0m) and Novantrone(R) sales in MS increased by 39.3% to \$9.1m (Q2 2003: \$6.6m).

In the US, sales of Rebif(R) jumped 65.0% to \$69.6m in the second quarter (Q2 2003: \$42.2m). Rebif(R) is market leader outside the US with sales increasing by 19.6% to \$187.5m (Q2 2003: \$156.8m), or 12.3% in local currencies.

Serono continues to lead the way in developing patient-friendly injection devices, with advanced functionality. In May, the new Rebiject II(TM) auto-injector was launched. This device is specifically designed to make self-injection of Rebif(R) more convenient for multiple sclerosis patients.

### REPRODUCTIVE HEALTH

Sales of Gonal-f(R) rose in the second quarter by 8.1% (4.0% in local currencies) to \$150.9m (Q2 2003: \$139.6m). Serono's core reproductive health portfolio consisting of three recombinant hormones (Gonal-f(R), Ovidrel(R)/Ovitrelle(R), Luveris(R)) and two complementary products (Cetrotide(R), Crinone(R)) grew by 8.2% (4.0% in local currencies) to \$168.6m (Q2 2003: \$155.9m).

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The phase-out of urine-derived products was completed in Europe by the end of 2003, and in the United States this quarter. By the end of 2004, the phase-out of these products will be completed on a global basis, except in Japan where recombinant gonadotropins are not yet approved.

In May, the FDA approved the Gonal-f(R) prefilled pen, a ready-to-use pen for the treatment of infertility. The Gonal-f(R) prefilled pen, which combines the efficacy of the most consistent FSH with enhanced accuracy of dosing, is already available in many European countries as well as in Australia, and will be introduced in the US shortly. Serono recently announced that in a phase IIIb study that compared the Gonal-f(R) prefilled pen with another pen available on the market, twice as many of the treated patients preferred the Gonal-f(R) prefilled pen, as it required less time for training, less time and fewer steps to prepare a daily injection and also gives patients more confidence that they have injected the right dose of FSH.

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### METABOLIC ENDOCRINOLOGY

In the second quarter, Saizen(R) sales increased by 12.7% (7.4% in local currencies) to \$44.2m (Q2 2003: \$39.2m). Serostim(R) sales continue to be stable at \$21.5m (Q2 2003: \$23.0m). Sales of Serono's recombinant growth hormone products rose by 5.8% to \$65.8m (Q2 2003: \$62.2m).

During the second quarter Serono submitted an application for a new indication for Saizen(R) in the treatment of growth disturbance in children born small for gestational age to the health authorities in Europe, and the regulatory review has commenced.

### DERMATOLOGY

On June 23rd, Raptiva(R) (efalizumab) was granted a unanimous positive opinion from the Committee of Medicinal Products for Human Use (CHMP) recommending approval. Serono expects the European Commission's Marketing Authorisation during the third quarter of this year, which would give Raptiva(R) a first mover advantage. Raptiva(R) will be launched in some EU countries shortly thereafter.

Serono received approval for Raptiva(R) in moderate-to-severe psoriasis in Switzerland in March and in Argentina in May, as well as a positive recommendation in Australia. Outcomes of marketing applications in a number of other territories for which Serono is responsible are awaited and launch in some of these countries will take place by the end of the year.

### REGIONAL SALES

North American sales grew by 21.0% to \$208.8m (Q2 2003: \$172.5m). Despite pricing and reimbursement pressures notably in Germany, European sales increased by 8.5% (0.2% in local currencies) to \$215.6m (Q2 2003: \$198.7m). In the rest of the world, sales grew by 18.9% (15.4% in local currencies) to \$114.3m (Q2 2003: \$96.2m).

### R&D NEWS

On May 1st, results from the CLEAR trial, the first randomized placebo-controlled study with Raptiva(R) conducted outside of the US, were presented at the EADV (European Academy of Dermatology and Venerology) Congress in Budapest. The results of CLEAR demonstrate that Raptiva is safe and efficacious in patients whose psoriasis cannot be controlled by, are intolerant to or are contraindicated to other currently available systemic therapies. The

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results in these high need patients were also consistent with the results in the broader moderate-to-severe population.

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On May 4th, 4SC and Serono entered into an exclusive worldwide agreement to develop and commercialize 4SC's program of dihydroorotate dehydrogenase (DHODH) inhibitors. This series consists of small molecules with potential as orally active treatments in autoimmune disorders, such as rheumatoid arthritis and multiple sclerosis and includes a lead compound, which is currently completing Phase I.

In June, Serono announced the start of a Phase III trial of Serostim(R) in HIV-associated adipose redistribution syndrome (HARS). HARS is a potentially debilitating medical condition experienced by people being treated for HIV for which there is currently no medical treatment.

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### CONFERENCE CALL AND WEBCAST

Serono will hold a conference call on July 22nd, 2004, starting at 10:00 am Eastern Time (4:00 pm Central European Time) during which Serono Management will present the Company's Second Quarter 2004 Results. To join the telephone conference please dial 412 858 4600 (from the US), 091 610 5600 (from Switzerland), 0207 107 0611 (from the UK) and +41 91 610 5600 (from elsewhere). Telephone playback will be available one hour after the conference call and until close of business 6:00 pm ET on July 30th, 2004. To access this playback please dial the following numbers: 412 317 0088 (from the US), 091 612 4330 (from Switzerland), 0207 866 4300 (from the UK) and +41 91 612 4330 (from elsewhere) and enter the PIN code 483# 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](http://www.serono.com). A link to the webcast will be provided immediately prior to the event.

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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 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 March 25, 2004. 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 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 eight biotechnology products, Rebif(R), Gonal-F(R), Luveris(R), Ovidrel(R)/Ovitrelle(R), Serostim(R), Saizen(R), Zorbtive(TM) and Raptiva(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 and has recently entered the psoriasis area. The Company's research programs are focused on growing these businesses and on establishing new therapeutic areas. Currently, there are approximately 30 ongoing development projects.

In 2003, Serono achieved worldwide revenues of US\$2,018.6 million, and a net income of US\$390.0 million, making it the third largest biotech company in the world. Its products are sold in over 90 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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### BACKGROUND MATERIAL

For free B-roll, video and other content about Serono, please visit the Serono Media Center [www.thenewsmarket.com/Serono](http://www.thenewsmarket.com/Serono). You can download print-quality images

and receive broadcast-standard video digitally or by tape from this site. Registration and video is free to the media.

### FOR MORE INFORMATION, PLEASE CONTACT:

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Reuters: SEO.VX / SRA

Bloomberg: SEO VX / SRA US

#### SERONO, INC., ROCKLAND, MA

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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 6 months ended June 30, 2004 and 2003.
- Consolidated statements of income for the 3 and 6 months ended June 30, 2004 and 2003; the consolidated balance sheets as of June 30, 2004 and December 31, 2003; the consolidated statements of equity as of June 30, 2004 and 2003; the consolidated statements of cash flows for the 6 months ended June 30, 2004 and 2003; and the selected explanatory notes to the interim consolidated financials statements. These consolidated financial statements have been prepared on the basis of International Financial Reporting Standards.

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SALES BY THERAPEUTIC AREA

	THREE MONTHS ENDED JUNE 30, 2004			THREE MONTHS ENDED June 30, 2003	
	\$MILLION	% OF SALES	% CHANGE \$	\$MILLION	% OF SALES
Neurology	266.2	49.4%	29.5%	205.5	44.0%
Reproductive Health	180.8	33.6%	(1.4%)	183.4	39.2%
Growth & Metabolism	65.8	12.2%	5.8%	62.2	13.3%
Others	25.8	4.8%	57.8%	16.4	3.5%
Total sales (US\$ million)	\$ 538.60	100%	15.20%	\$ 467.40	100%

SALES BY GEOGRAPHIC REGION

	THREE MONTHS ENDED JUNE 30, 2004			THREE MONTHS ENDED JUNE 30, 2003	
	\$MILLION	% OF SALES	% CHANGE \$	\$MILLION	% OF SALES
Europe	215.6	40.0%	8.5%	198.7	42.5%
North America	208.8	38.8%	21.0%	172.5	36.9%
Latin America	28.7	5.3%	12.6%	25.5	5.5%
Others	85.6	15.9%	21.1%	70.7	15.1%
Total sales (US\$ million)	\$ 538.6	100%	15.2%	\$ 467.4	100%

SALES BY THERAPEUTIC AREA

	SIX MONTHS ENDED JUNE 30, 2004			SIX MONTHS ENDED JUNE 30, 2003	
	\$MILLION	% OF SALES	% CHANGE \$	\$MILLION	% OF SALES
Neurology	531.7	50.4%	37.8%	385.9	44.1%
Reproductive Health	351.0	33.3%	2.0%	344.0	39.3%
Growth & Metabolism	128.0	12.1%	11.0%	115.2	13.2%
Others	44.6	4.2%	48.3%	30.1	3.4%
Total sales (US\$ million)	\$1'055.3	100%	20.6%	\$ 875.2	100%

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SALES BY GEOGRAPHIC REGION

	SIX MONTHS ENDED JUNE 30, 2004			SIX MONTHS ENDED JUNE 30, 2003		
	\$MILLION	% OF SALES	% CHANGE \$	\$MILLION	% OF SALES	
Europe	446.0	42.3%	17.3%	380.3	43.4%	
North America	389.3	36.9%	21.0%	321.7	36.8%	
Latin America	55.1	5.2%	34.4%	41.0	4.7%	
Others	165.1	15.6%	24.8%	132.3	15.1%	
Total sales (US\$ million)	\$1'055.3	100%	20.6%	\$ 875.2	100%	

TOP TEN PRODUCTS

	* TA	THREE MONTHS ENDED JUNE 30, 2004			THREE MONTHS ENDED JUNE 30, 2003		
		\$MILLION	% OF SALES	% CHANGE \$	\$MILLION	% OF SALES	
Rebif (R)	MS	257.1	47.7%	29.2%	199.0	42.6%	
Gonal-f (R)	RH	150.9	28.0%	8.1%	139.6	29.9%	
Saizen (R)	Growth	44.2	8.2%	12.7%	39.2	8.4%	
Novantrone (R)	MS/Oncology	23.6	4.4%	51.6%	15.6	3.3%	
Serostim (R)	Wasting	21.5	4.0%	(6.6%)	23.0	4.9%	
Cetrotide (R)	RH	6.4	1.2%	9.4%	5.9	1.3%	
Crinone (R)	RH	4.5	0.8%	(4.5%)	4.8	1.0%	
Metrodin-HP (R)	RH	4.5	0.8%	(37.8%)	7.2	1.5%	
Ovidrel (R)	RH	4.4	0.8%	30.3%	3.3	0.7%	
Stilamin (R)	Other	4.1	0.8%	(6.3%)	4.3	0.9%	

	* TA	SIX MONTHS ENDED JUNE 30, 2004			SIX MONTHS ENDED JUNE 30, 2003		
		\$ MILLION	% OF SALES	% CHANGE \$	\$ MILLION	% OF SALES	
Rebif (R)	MS	516.7	49.0%	38.1%	374.2	42.8%	
Gonal-F (R)	RH	288.3	27.3%	10.2%	261.6	29.9%	
Saizen (R)	Growth	84.8	8.0%	17.3%	72.3	8.3%	
Serostim (R)	Wasting	43.0	4.1%	0.2%	42.9	4.9%	
Novantrone (R)	MS/Oncology	38.9	3.7%	36.8%	28.4	3.2%	
Cetrotide (R)	RH	12.7	1.2%	10.9%	11.5	1.3%	
Pergonal (R)	RH	9.5	0.9%	(57.4%)	22.2	2.5%	
Crinone (R)	RH	9.0	0.9%	(2.4%)	9.2	1.1%	



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Ovidrel(R)	RH	8.3	0.8%	45.4%	5.7	0.6%
Stilamin(R)	Other	8.2	0.8%	7.2%	7.6	0.9%

\* THERAPEUTIC AREAS

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

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Consolidated Income Statements

SIX MONTHS ENDED JUNE 30	2004 *	% OF	% change	2003 *	% of
	US\$'000	REVENUES		US\$'000	Revenues
Revenues					
Product sales	1'055'335		20.6%	875'200	
Royalty and license income	89'360		18.1%	75'633	
<b>TOTAL REVENUES</b>	<b>1'144'695</b>	<b>100.0%</b>	<b>20.4%</b>	<b>950'833</b>	<b>100.0%</b>
Operating Expenses					
Cost of product sales	147'851		10.8%	133'448	
% of Sales	14.0%			15.2%	
Selling, general and administrative	377'253	33.0%	26.2%	299'040	31.5%
Research and development	249'379	21.8%	5.5%	236'469	24.9%
Other operating expense, net	108'577	9.5%	12.3%	96'699	10.2%
<b>Total Operating Expenses</b>	<b>883'060</b>	<b>77.1%</b>	<b>15.3%</b>	<b>765'656</b>	<b>80.5%</b>
<b>OPERATING INCOME</b>	<b>261'635</b>	<b>22.9%</b>	<b>41.3%</b>	<b>185'177</b>	<b>19.5%</b>
Financial income, net	24'380		25.5%	19'428	
Other income/(expense), net	64			(3'657)	
<b>Total Non Operating Income, Net</b>	<b>24'444</b>			<b>15'771</b>	
Income Before Taxes and Minority Interests	286'079	25.0%	42.4%	200'948	21.1%
Taxes	45'772			32'151	
Income Before Minority Interests	240'307			168'797	
Minority interests	(1'611)			901	
<b>NET INCOME</b>	<b>241'918</b>	<b>21.1%</b>	<b>44.1%</b>	<b>167'896</b>	<b>17.7%</b>

\* Unaudited

2004 2003 % CHANGE

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Basic Earnings per Share (in U.S. dollars)

- Bearer shares	15.46	10.60	45.8%
- Registered shares	6.18	4.24	45.8%
- American depositary shares	0.39	0.27	45.8%

Diluted Earnings per Share (in U.S. dollars)

- Bearer shares	15.43	10.59	45.7%
- Registered shares	6.17	4.24	45.7%
- American depositary shares	0.39	0.26	45.7%

Basic earnings per share are calculated in accordance with IAS 33 (Earnings per Share) by dividing the net income of the group, US\$241.9 million (2003 US\$167.9 million), by an appropriate number of shares. This is 11,240,537 bearer shares (2003 11,431,665) and 11,013,040 registered shares (2003 11,013,040). The total weighted average equivalent number of bearer shares is 15,645,753 (2003 15,836,881) for the six months ended June 30, 2004. 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 in the money share options granted to employees and directors and does not take into consideration the impact of the convertible bond because it is anti-dilutive. The number of bearer shares used to calculate diluted earnings per share is 11,270,640 (2003 11,445,711).

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CONSOLIDATED INCOME STATEMENTS

THREE MONTHS ENDED JUNE 30	2004 *	% OF		2003 *	% of
	US\$'000	REVENUES	% CHANGE	US\$'000	Revenues
Revenues					
Product sales	538'622		15.2%	467'414	
Royalty and license income	48'981		19.4%	41'013	
<b>TOTAL REVENUES</b>	<b>587'603</b>	<b>100.0%</b>	<b>15.6%</b>	<b>508'427</b>	<b>100.0%</b>
Operating Expenses					
Cost of product sales	72'182		1.9%	70'817	
% of Sales	13.4%			15.2%	
Selling, general and administrative	193'050	32.9%	22.1%	158'124	31.1%
Research and development	123'180	21.0%	13.5%	108'532	21.3%
Other operating expense, net	53'705	9.1%	5.4%	50'948	10.0%
<b>Total Operating Expenses</b>	<b>442'117</b>	<b>75.2%</b>	<b>13.8%</b>	<b>388'421</b>	<b>76.4%</b>

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OPERATING INCOME	145'486	24.8%	21.2%	120'006	23.6%
Financial income, net	15'346		20.2%	12'771	
Other income/(expense), net	60			(3'883)	
Total Non Operating Income, Net	15'406			8'888	
Income Before Taxes and Minority Interests	160'892	27.4%	24.8%	128'894	25.4%
Taxes	25'741			20'622	
Income Before Minority Interests	135'151			108'272	
Minority interests	(637)			534	
NET INCOME	135'788	23.1%	26.0%	107'738	21.2%

\* Unaudited

2004 2003 % CHANGE

Basic Earnings per Share (in U.S. dollars)

- Bearer shares	8.75	6.81	28.5%
- Registered shares	3.50	2.72	28.5%
- American depositary shares	0.22	0.17	28.5%

Diluted Earnings per Share (in U.S. dollars)

- Bearer shares	8.71	6.80	28.2%
- Registered shares	3.49	2.72	28.2%
- American depositary shares	0.22	0.17	28.2%

Basic earnings per share are calculated in accordance with IAS 33 (Earnings per Share) by dividing the net income of the group, US\$135.8 million (2003 US\$107.7 million), by an appropriate number of shares. This is 11,112,539 bearer shares (2003 11,419,355) and 11,013,040 registered shares (2003 11,013,040). The total weighted average equivalent number of bearer shares is 15,517,755 (2003 15,824,571) for the three months ended June 30, 2004. 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 in the money share options granted to employees and directors and also the impact of the convertible bond as it is dilutive. The number of bearer shares used to calculate diluted earnings per share is 11,561,817 (2003 11,440,499).

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CONSOLIDATED BALANCE SHEETS

AS OF	JUNE 30, 2004 * US\$'000	December 31, 2003 US\$'000
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	338'959	1'003'9
Short-term financial assets	800'791	434'8
Trade accounts receivable	333'539	318'3
Inventories	278'855	319'8
Prepaid expenses and other current assets	230'761	220'3
<b>Total Current Assets</b>	<b>1'982'905</b>	<b>2'297'3</b>
Non-Current Assets		
Property, plant and equipment	698'416	701'4
Long-term financial assets	1'243'297	1'104'3
Intangible assets	254'012	259'6
Deferred tax assets	169'801	169'6
Other long-term assets	36'541	39'1
<b>Total Non-Current Assets</b>	<b>2'402'067</b>	<b>2'274'2</b>
<b>TOTAL ASSETS</b>	<b>4'384'972</b>	<b>4'571'6</b>
<b>LIABILITIES</b>		
Current Liabilities		
Trade and other payables	307'293	338'8
Short-term financial debts	47'296	51'2
Income taxes	143'313	146'0
Deferred income - current	46'894	47'2
Other current liabilities	161'282	170'0
<b>Total Current Liabilities</b>	<b>706'078</b>	<b>753'3</b>
Non-Current Liabilities		
Long-term financial debts	545'052	532'0
Deferred tax liabilities	13'846	15'9
Deferred income - non current	158'765	174'9
Provisions and other long-term liabilities	215'548	213'5
<b>Total Non-Current Liabilities</b>	<b>933'211</b>	<b>936'4</b>
<b>Total Liabilities</b>	<b>1'639'289</b>	<b>1'689'7</b>
Minority Interests	(26)	1'6

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SHAREHOLDERS' EQUITY		
Share capital	254'359	253'8
Share premium	1'021'095	1'002'9
Treasury shares	(413'427)	(157'6
Retained earnings	1'812'264	1'669'7
Fair value and other reserves	12'428	22'7
Cumulative foreign currency translation adjustments	58'990	88'5
<b>Total Shareholders' Equity</b>	<b>2'745'709</b>	<b>2'880'1</b>
-----		
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b>4'384'972</b>	<b>4'571'6</b>
-----		

\* Unaudited

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CONSOLIDATED STATEMENTS OF EQUITY

	SHARE CAPITAL US\$'000	SHARE PREMIUM US\$'000	TREASURY SHARES US\$'000	RETAINED EARNINGS US\$'000	FAIR VALUE AND OTHER RESERVES US\$'000	TR AD
Balance as of January 1, 2003	253'416	989'141	-126'460	1'364'626	-44'807	
Issue of share capital to employees	450	13'259	3'571			
Net income for 2003				167'896		
Purchase of treasury shares			-24'637			
Dividend for 2002 - bearer shares				-61'849		
Dividend for 2002 - registered shares				-23'860		
Revaluation adjustments					8'380	
Foreign currency translation adjustments						
<b>Balance as of June 30, 2003 *</b>	<b>253'866</b>	<b>1'002'400</b>	<b>-147'526</b>	<b>1'446'813</b>	<b>-36'427</b>	
=====						
Balance as of January 1, 2004	253'895	1'002'991	-157'642	1'669'700	22'711	
Issue of share capital to employees	464	18'104	3'189			
Net income for 2004				241'918		
Purchase of treasury shares			-258'974			
Dividend for 2003 - bearer shares				-71'096		
Dividend for 2003 - registered shares				-28'258		
Revaluation adjustments					-10'283	
Foreign currency translation adjustments						
<b>Balance as of June 30, 2004 *</b>	<b>254'359</b>	<b>1'021'095</b>	<b>-413'427</b>	<b>1'812'264</b>	<b>12'428</b>	
=====						

\*Unaudited

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CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30	2004 *	2003 *
	US\$'000	US\$'000
Cash Flows From Operating Activities		
Income before taxes and minority interests	286'079	200'948
Depreciation and amortization	65'905	67'514
Financial income	(32'029)	(24'964)
Financial expense	12'361	11'325
Other non-cash items	6'607	37'641
<b>Cash Flows From Operating Activities Before Working Capital Changes</b>	<b>338'923</b>	<b>292'464</b>
Working Capital Changes		
Trade accounts payable, other current liabilities and deferred income	(2'802)	33'728
Trade accounts receivable	(26'532)	(50'599)
Inventories	5'942	(31'605)
Prepaid expenses and other current assets	(13'858)	(5'115)
Taxes paid	(49'532)	(53'651)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>252'141</b>	<b>185'222</b>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(85'810)	(90'301)
Proceeds from sale of property, plant and equipment	3'159	2'689
Purchase of intangible and other long-term assets	(9'936)	(7'145)
Purchase of financial assets	(837'588)	(299'384)
Proceeds from sale of financial assets	302'126	185'637
Interest received	53'363	44'424
<b>Net Cash Flows From Investing Activities</b>	<b>(574'686)</b>	<b>(164'080)</b>
Cash Flows From Financing Activities		
Proceeds from issuance of share capital	10'333	13'105
Proceeds from exercises of stock options	677	470
Premiums received on written calls	--	508
Issuance of long-term financial debt	17'339	7'016
Purchase of treasury shares	(258'974)	(24'637)
Net change in bank advances	2'301	(30'983)
Repayment of long-term debt	(5'436)	--
Other non-current liabilities	(5'319)	(9'444)
Interest paid	(2'593)	(2'599)
Dividends paid	(99'352)	(85'709)
<b>Net Cash Flows From Financing Activities</b>	<b>(341'024)</b>	<b>(132'273)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(1'444)</b>	<b>3'229</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(665'013)</b>	<b>(107'902)</b>
Cash and Cash Equivalents		

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- Beginning of period	1'003'972	686'033
- End of period	338'959	578'131

\* Unaudited

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SELECTED EXPLANATORY NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. ACCOUNTING PRINCIPLES

The accompanying condensed unaudited interim consolidated financial statements have been prepared in accordance with IAS 34 (Interim Financial Reporting). The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used by Serono in its annual consolidated financial statements for the year ended December 31, 2003. These interim consolidated financial statements should be read in conjunction with the 2003 annual consolidated financial statements. These consolidated financial statements were approved for issuance on July 16, 2004 by Serono S.A.'s board of directors.

2. ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS

There were no new standards adopted in the first 6 months of the year.

3. SEGMENT INFORMATION - GEOGRAPHIC SEGMENT

	EUROPE	NORTH AMERICA	LATIN AMERICA	OTHER	GROUP
SIX MONTHS ENDED JUNE 30, 2004	US\$000	US\$000	US\$000	US\$000	US\$000
Product sales	445,970	389,260	55,051	165,054	1,055,335
Royalty and license income	39,701	606	-	49,053	89,360
Total revenues	485,671	389,866	55,051	214,107	1,144,695
Allocable operating income	217,490	190,110	27,404	67,965	502,969
Corporate R&D expenses					(194,067)
Unallocated expenses					(47,267)
Operating income					261,635

	Europe	North America	Latin America	Other	Group
Six months ended June 30, 2003	US\$000	US\$000	US\$000	US\$000	US\$000
Product sales	389,035	321,719	40,951	123,495	875,200
Royalty and license income	41,353	270	-	34,010	75,633
Total revenues	430,388	321,989	40,951	157,505	950,833
Allocable operating income	196,825	191,623	12,790	39,479	440,717
Corporate R&D expenses					(196,087)
Unallocated expenses					(59,453)
Operating income					185,177

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Unallocated expenses represent corporate expenses. Product sales are based on the country in which the customer is located, while royalty and license income is based on the country that receives the royalty. There are no sales or other transactions between the business segments.

#### 4. TAXES

The effective tax rate for the six months ended June 30, 2004 amounts to 16.0% (2003: 16.0%).

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#### 5. EARNINGS PER SHARE

Basic earnings per share is calculated in accordance with IAS 33 (Earnings per Share) by dividing the net income of the company by the weighted average number of shares outstanding during the period presented.

	2004	2003
Six months ended June 30 (unaudited)	US\$000	US\$000
-----		
Net income attributable to bearer shareholders	173,803	121,194
Net income attributable to registered shareholders	68,115	46,702
-----		
Total net income	241,918	167,896
Weighted average number of bearer shares in issue	11,240,537	11,431,665
Weighted average number of registered shares in issue	11,013,040	11,013,040
	US\$	US\$
-----		
Basic earnings per bearer share	15.46	10.60
Basic earnings per registered share	6.18	4.24
Basic earnings per American depositary share	0.39	0.27
-----		

For diluted earnings per share, the weighted average number of bearer shares is adjusted to assume conversion of all potential dilutive shares arising from outstanding stock options and the convertible bond. For stock options a calculation is done to determine the number of shares that could have been acquired at fair value with proceeds from the exercise of stock options and compared with the number of shares that would have been issued assuming the exercise of the stock options. The difference is added to the denominator as additional shares issued for no consideration. There is no adjustment made to the numerator. During the first six months ended June 30, 2004, share equivalents of 30,103 bearer shares arising from stock options granted to employees and directors were included in calculating diluted earnings per share (2003: 14,046). For the convertible bond, a calculation is done that assumes the bond is fully converted into bearer shares while the net income is increased by eliminating the interest expense, net of tax, that would not be incurred if the bond was converted. In the first half 2004 as well as in 2003, the effect of the convertible bond was excluded from the calculation of diluted earnings per share as it was anti-dilutive. Diluted earnings per bearer, registered and American depositary shares were:



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Six month ended June 30 (unaudited)	2004 US\$000	2003 US\$000
Net income attributable to bearer shareholders	173,934	121,235
Net income attributable to registered shareholders	67,984	46,661
Total net income	241,918	167,896
Weighted average number of bearer shares in issue	11,270,640	11,445,711
Weighted average number of registered shares in issue	11,013,040	11,013,040
	US\$	US\$
Diluted earnings per bearer share	15.43	10.59
Diluted earnings per registered share	6.17	4.24
Diluted earnings per American depository share	0.39	0.26

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6. SHARE CAPITAL

CLASS OF SHARES	NUMBER OF SHARES	NOMINAL VALUE	CHF0
As of June 30, 2004			
Issued and fully paid share capital			
Registered	11,013,040	CHF10	110,130,400
Bearer	11,735,125	CHF25	293,380,625
Total			403,511,025
Authorized share capital - bearer	1,400,000	CHF25	35,000,000
Conditional share capital - bearer for option and/or convertible	1,452,000	CHF25	36,300,000
Debt			
Conditional share capital - bearer for stock options	729,701	CHF25	18,242,525
As of June 30, 2003			
Issued and fully paid share capital			
Registered	11,013,040	CHF10	110,130,400
Bearer	11,710,250	CHF25	292,756,250
Total			402,886,650
Authorized share capital - bearer	1,400,000	CHF25	35,000,000
Conditional share capital - bearer for option and/or convertible debt	152,000	CHF25	3,800,000
Conditional share capital - bearer for stock options	354,572	CHF25	8,864,300

During the Annual General Meeting held on May 25th, 2004, shareholders approved increasing the conditional capital to CHF 36,300,000 (1,452,000 bearer shares of a par value of CHF 25) for option and/or convertible loans and to CHF 18,825,000 (753,000 bearer shares of a par value of CHF 25) for stock options. In addition, shareholders have approved the authorization to increase capital by CHF

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35,000,000 (1,400,000 bearer shares of a par value of CHF 25) for a period of two years.

### 7. TREASURY SHARES

There were 304,939 treasury shares held by a group company as of January 1, 2004. During the first five months ended May 31, 2004, 351,209 bearer shares were purchased for a total consideration of CHF280.9 million or \$221.8 million, which resulted in the complete utilization of the CHF500 million share buy back plan that was initiated in July 2002. During the same period, 6,927 treasury shares were distributed to employees mostly as part of an Employee Share Purchase Plan whereby shares purchased under the plan that are held for one year after the purchase date entitle each participant to receive, on a one-time basis, one matching share for every three shares purchased and held.

In June 2004, a second share buy back plan was initiated that is authorized to acquire CHF750 million in bearer shares; however, the shares acquired under this second plan will be cancelled and thus will not be available for re-issue. The total cost of the shares acquired under the second share buy back plan is CHF46.6 million or \$37.2 million. The total number of treasury shares held as of June 30, 2004 is 708,271 of which 59,050 will eventually be cancelled.

### 8. DISTRIBUTION OF EARNINGS

At the Annual Shareholders' Meeting on May 25, 2004, a proposed gross dividend in respect of 2003 of CHF3.20 (2002: CHF2.80) per registered share and CHF8.00 (2002: CHF7.00) per bearer share, amounting to a total of CHF123.9 million (2002: CHF110.8 million), was ratified. This dividend, equivalent to \$99.4 million, was subsequently paid on May 28, 2004 and has been accounted for in shareholders' equity as an appropriation of retained earnings in the six months ended June 30, 2004.

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### 9. STOCK OPTION PLAN

Movements in the number of employee stock options outstanding are as follows:

	Options outstanding	Weighted average exercise price CHF
As of January 1, 2003	209,455	1,272
Cancelled	(22,062)	1,301
Granted	93,130	655
Exercised	(2,741)	546
-----		
As of December 31, 2003	277,782	1,070
Cancelled	(13,124)	1,103
Granted	120,780	721
Exercised	(1,480)	578
-----		
As of June 30, 2004	383,958	961
-----		

During the first six months ended June 30, 2004, 120,780 options (2003: 91,950 options) were granted to a total of 598 employees (2003: 567 employees), at a predetermined weighted average exercise price of CHF721 (2003: CHF 655). The

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total number of options available for grant as of June 30, 2004 is 327,291

There is also a stock option plan reserved for the Board of Directors that is similar to the Employee Stock Option plan. In June 2004, 5,200 options (2003: 4,600) were granted to directors, at a predetermined exercise price of CHF772 (2003: CHF 692). There are 20,720 director options outstanding as of June 30, 2004 with a weighted average exercise price of CHF 755.

### 10. SHARE PURCHASE PLANS

#### EMPLOYEE SHARE PURCHASE PLAN

The group has an Employee Share Purchase Plan ("the ESPP") covering substantially all of its employees. The plan is designed to allow employees to purchase bearer shares or American depository shares at 85% of the lower of the fair market value at either the date of the beginning of the plan period or the purchase date. Purchases under the plan are subject to certain restrictions and may not exceed 15% of the employee's annual salary. In January 2004, 20,301 bearer shares (2003: 23,229 bearer shares) were issued to employees at a price of CHF654 per share (2003: CHF654 per share). As of June 30, 2004, a total of \$5.3 million (2003: \$4.8 million) in contributions held by the company to be used to purchase bearer and American depository shares on behalf of employees in January 2005. The accrued compensation cost from the discount to be offered to employees based on the contributions held as at June 30, 2004 is \$0.5 million (2003: \$1.5 million).

Shares purchased under the plan that are held for one year after the purchase date entitle each participant to receive, on a one-time basis, one matching share for every three shares purchased and held. In January 2004, 6,648 bearer shares (2003: 4,208) were distributed to employees. The accrued compensation cost for the six months ended June 30, 2004, related to the matching shares that will be distributed in January 2005, is \$2.1 million (2003: \$1.9 million) and is calculated based on the estimated number of matching shares multiplied by the current month-end share price.

#### DIRECTOR SHARE PURCHASE PLAN

During 2003, the group initiated a Share Purchase Plan reserved for its Board of Directors (the "DSPP"). The DSPP allows board members to purchase Serono S.A. bearer shares through allocation of 50% or 100% of their gross yearly fees. Each cycle commences on the first business day following the company's Annual General Meeting (the "AGM") and concludes on the day of the next AGM. The purchase price per share is eighty-five percent of the fair market value of the share on the fifth business day following the AGM. In June, 1,518 bearer shares were issued to Directors that participated in the plan.

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### 11. PRINCIPAL SHAREHOLDER

At June 30, 2004, Bertarelli & Cie, a partnership limited by shares with its principal offices at Cheserex (Vaud), Switzerland, held 53.8% of the capital and 62.7% of the voting rights in Serono S.A. Ernesto Bertarelli controls Bertarelli & Cie. On the same date, Maria-Iris Bertarelli, Ernesto Bertarelli and Donata Bertarelli Spath owned in the aggregate 7.3% of the capital and 10.1% of the voting rights of Serono S.A.

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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

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undersigned, thereunto duly authorized.

SERONO S.A.  
a Swiss corporation  
(Registrant)

July 22, 2004

By: /s/ Francois Naef  
-----  
Name: Francois Naef  
Title: Secretary