

SERONO S A
Form 20-F
March 16, 2005

As filed with the Securities and Exchange Commission on March 16, 2005.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g)
OF THE SECURITIES EXCHANGE ACT OF 1934**

or

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 1-15096

SERONO S.A.

(Exact name of Registrant as specified in its charter)

Not Applicable

Switzerland

(Translation of Registrant's name into English)

(Jurisdiction of incorporation or organization)

15 bis, Chemin des Mines

Case Postale 54

CH-1211 Geneva 20

Switzerland

(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:

Name of each exchange on which registered:

Bearer Shares, nominal value CHF25 per share

New York Stock Exchange*

American Depositary Shares (as evidenced by
American Depositary Receipts), each representing one
fortieth of a Bearer Share

New York Stock Exchange

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*Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2004.

Bearer Shares, nominal value CHF 25 per 10,126,741 outstanding share:

Registered Shares, nominal value CHF 10 11,013,040 outstanding per share:

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

Serono S.A.
Annual Report on Form 20-F
for the year ended
December 31, 2004

TABLE OF CONTENTS

<u>Item</u>		<u>Page No.</u>
PART I		
1.	Identity of Directors, Senior Management and Advisers	1
2.	Offer Statistics and Expected Timetable	1
3.	Key Information	1
4.	Information on the Company	14
5.	Operating and Financial Review and Prospects	38
6.	Directors, Senior Management and Employees	58
7.	Major Shareholders and Related Party Transactions	67
8.	Financial Information	69
9.	The Offer and Listing	71
10.	Additional Information	71
11.	Quantitative and Qualitative Disclosures about Market Risk	79
12.	Description of Securities Other than Equity Securities	82

<u>Item</u>	<u>Page No.</u>
PART II	
13. Defaults, Dividend Arrearages and Delinquencies	83
14. Material Modifications to the Rights of Security Holders and Use of Proceeds	83
15. Controls and Procedures	83
16A. Audit Committee Financial Expert	83
16B. Code of Ethics	83
16C. Principal Accountant Fees and Services	83
16D. Exemptions from the Listing Standards for Audit Committees	84
16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	85
PART III	
17. Financial Statements	86
18. Financial Statements	86
19. Exhibits	86
SIGNATURES	
Signatures	87
Financial Statements and Auditors' Reports	F-1

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PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION**Selected Consolidated Historical Financial Data**

We have derived our selected consolidated historical financial data from our consolidated financial statements. We prepare and present our consolidated financial statements in accordance with International Financial Reporting Standards or IFRS. IFRS differ in significant respects from United States Generally Accepted Accounting Principles, or U.S. GAAP. You can find a reconciliation of our audited consolidated financial statements to U.S. GAAP in Note 35 to our audited consolidated financial statements included in this Annual Report. Since the information we present below is only a summary and does not provide all of the information contained in our consolidated financial statements, you should read our consolidated financial statements and the notes to the consolidated financial statements included in this Annual Report.

	Year ended December 31,				
	2004	2003	2002	2001	2000
	(U.S. dollars in thousands, except per share data)				
Income Statement Data:					
Product sales	\$ 2,177,949	\$ 1,858,009	\$ 1,423,130	\$ 1,249,405	\$ 1,146,998
Royalty and license income	280,101	160,608	114,705	127,065	92,656
Total revenues	2,458,050	2,018,617	1,537,835	1,376,470	1,239,654
Operating expenses:					
Cost of product sales	304,111	279,619	223,751	213,160	229,907
Selling, general and administrative	807,940	636,823	504,248	446,945	393,716
Research and development,	594,802	467,779	358,099	308,561	263,152
Restructuring	—	—	16,303	—	—
Other operating expense, net	227,096	199,476	85,811	70,152	31,147
Total operating expenses	1,933,949	1,583,697	1,188,212	1,038,818	917,922
Operating income	524,101	434,920	349,623	337,652	321,732
Financial income, net	63,281	44,018	36,476	51,381	52,277
Other expense, net	629	19,743	1,658	2,548	2,411
Total non-operating income, net	62,652	24,275	34,818	48,833	49,866
Income before taxes and minority interests	586,753	459,195	384,441	386,485	371,598
Taxes	90,947	68,905	63,127	69,816	70,384
Income before minority interests	495,806	390,290	321,314	316,669	301,214
Minority interests	1,653	327	536	(52)	174
Net income	\$ 494,153	\$ 389,963	\$ 320,778	\$ 316,721	\$ 301,040

Per Share Data:

Basic income per share (1)(2):										
Bearer shares	\$	32.35	\$	24.63	\$	20.07	\$	19.72	\$	19.50
Registered shares		12.94		9.85		8.03		7.89		7.80
American depositary shares (3)		0.81		0.62		0.50		0.49		0.49
Diluted income per share (1)(2):										
Bearer shares		32.29		24.59		20.04		19.68		19.46
Registered shares		12.92		9.84		8.02		7.87		7.78
American depositary shares (3)		0.81		0.61		0.50		0.49		0.49
Cash dividends paid (1)(4):										
Bearer shares		6.54		5.42		4.02		3.35		1.15
Registered shares		2.57		2.17		1.61		1.34		0.46
American depositary shares (3)		0.16		0.14		0.10		0.08		0.03

Supplemental Per Equivalent**Bearer Share Data:**

Net income, basic (1)(5)	\$	32.35	\$	24.63	\$	20.07	\$	19.72	\$	19.50
Net income, diluted (1)(5)		32.29		24.59		20.04		19.68		19.46

As of December 31,

2004 2003 2002 2001 2000

(U.S. dollars in thousands, except per share data)

Balance Sheet Data:

Cash, cash equivalents and short-term investments	\$ 1,060,978	\$ 1,438,782	\$ 1,064,898	\$ 1,475,504	\$ 1,438,485
Working capital (6)	1,183,852	1,543,933	1,139,848	1,527,359	1,505,534
Tangible fixed assets	799,878	701,453	554,509	460,767	462,425
Total assets	4,404,290	4,571,603	3,484,278	3,018,769	2,794,777
Outstanding share capital(4)	254,420	253,895	253,416	253,137	253,072
Short-term financial debts	34,527	51,224	93,598	173,254	238,585
Long-term financial debts	640,892	532,022	25,857	37,325	56,626
Shareholders' equity	2,447,878	2,880,190	2,461,198	2,218,914	2,006,416

Amounts in Accordance with**U.S. GAAP:**

Net income	471,024	398,346	280,176	291,470	304,389
Basic income per share (1)(7):					
Bearer shares	30.83	25.16	17.53	18.15	19.72
Registered shares	12.33	10.06	7.01	7.26	7.89
Diluted income per share (1)(7):					
Bearer shares	30.78	25.12	17.51	18.11	19.68
Registered shares	12.31	10.05	7.00	7.24	7.87
Total shareholders' equity	2,398,311	2,855,473	2,456,683	2,239,711	2,015,860
Total assets	4,367,211	4,561,583	3,483,295	3,069,873	2,794,465

Margins and Other Data:

Gross margin (8)(9)	86.0%	85.0%	84.3%	82.9%	80.0%
Operating margin (8)(10)	21.3%	21.5%	22.7%	24.5%	26.0%
Net margin (8)(11)	20.1%	19.3%	20.9%	23.0%	24.3%
Cash dividends paid (4)	\$ 99,354	\$ 85,709	\$ 64,238	\$ 53,759	\$ 17,755
Net cash flow from operating activities	\$ 471,709	\$ 542,859	\$ 531,982	\$ 404,950	\$ 255,443
Depreciation and amortization	\$ 145,221	\$ 135,607	\$ 100,552	\$ 98,906	\$ 86,266
Additions to tangible fixed assets	\$ 151,504	\$ 185,045	\$ 125,324	\$ 97,131	\$ 67,080
Average number of employees	4,740	4,597	4,559	4,384	4,117

	Year ended December 31,					
	2004		2003		2002	
	Sales	% Total	Sales	% Total	Sales	% Total
	(U.S. dollars in millions)					
Product sales by Region:						
Europe	\$ 895.2	41.1%	\$ 796.8	42.9%	\$ 620.4	43.6%
North America	837.9	38.5	694.3	37.4	479.6	33.7
Middle East, Africa and Eastern Europe	196.3	9.0	151.2	8.1	107.6	7.6
Asia-Pacific, Oceania and Japan	137.5	6.3	116.9	6.3	106.3	7.4
Latin America	111.0	5.1	98.8	5.3	109.2	7.7
Total product sales	\$ 2,177.9	100.0%	\$ 1,858.0	100.0%	\$ 1,423.1	100.0%

	Year ended December 31,					
	2004		2003		2002	
	Sales	% Total	Sales	% Total	Sales	% Total
	(U.S. dollars in millions)					
Product sales by Therapeutic Area:						
Neurology:						
Rebif	\$ 1,090.6	50.1%	\$ 819.3	44.1%	\$ 548.8	38.6%
Novantrone	32.4	1.5	30.9	1.7	0.3	0.0
Total Neurology	1,123.0	51.6	850.2	45.8	549.1	38.6
Reproductive Health:						
Gonal-f	572.7	26.3	526.1	28.3	450.4	31.6
Cetrotide	24.8	1.1	24.8	1.3	18.4	1.3
Crinone	19.8	0.9	20.8	1.1	10.9	0.8
Ovidrel	17.7	0.8	12.4	0.7	5.7	0.4
Luveris	10.6	0.5	10.0	0.6	6.6	0.5
Core Infertility Portfolio	645.6	29.6	594.9	32.0	492.0	34.6
Metrodin HP	15.9	0.7	24.8	1.3	50.1	3.5
Pergonal	11.5	0.5	45.8	2.5	46.0	3.2
Profasi	6.7	0.3	15.4	0.9	19.8	1.4
Other products	12.6	0.7	12.0	0.6	14.0	1.0
Total Reproductive Health	692.3	31.8	692.9	37.3	621.9	43.7