

ANNUAL REPORT 2008

JERINI

● Content

CONTENT

Letter to Shareholders	04
Management Report	06
Business and Economic Conditions	08
Developments in the Pharmaceutical and Biotechnology Sectors	15
Financial Overview	16
Personnel and Benefits	20
Environmental Report	20
Subsequent Events	21
Remuneration Report	21
Risk report	23
Outlook	27
Additional mandatory disclosures for listed companies prusuant to Sec. 315 Para. 4 HGB	30
Consolidated Financial Statements	33
Audit Opinion	154
Supervisory Board Report	156
Corporate Governance Report	164
Financial Calendar 2008	178
Imprint	179

LETTER TO SHAREHOLDERS

Dear Shareholders,

2008 was a year of significant achievements for Jerini. In July, Jerini achieved an important milestone when the European Commission granted marketing approval for Firazyr® (Icatibant) for the treatment of acute attacks of hereditary angioedema (HAE). Firazyr has now been launched in Germany, Austria, Spain, Greece, Denmark, Luxemburg, and the UK, and there are sales through named patient programs in France, Italy, Norway, and Belgium. The feedback from patients and physicians alike has been very positive, and further product launches are planned for the second quarter of 2009 in France, Italy, and Argentina. Jerini is committed to making Firazyr available to patients suffering from HAE in as many countries as possible and, in addition to the launch of Firazyr in Europe, we continue to pursue regulatory approval in the US and other countries. In the fourth quarter of 2008, Marketing Authorization Applications were submitted in Argentina, Brazil, Mexico, Switzerland, and Russia, and we hope that patients in these countries will have access to Firazyr® in early 2010. Following our meeting and discussions with the US Food and Drug Administration (FDA) in December 2008, plans are underway to initiate a placebo-controlled confirmatory Phase III trial in 2009. After this trial has been completed, we will submit a complete response to the FDA's "Not Approvable" letter received in April 2008.

In preparation for the launch of Firazyr, Jerini's then Management Board anticipated the need for additional financing in 2008. After considering several financing options, including strategic partnerships and capital market transactions, on July 3, 2008, Jerini announced a strategic partnership with Shire, together with Shire's voluntary public takeover offer of Jerini. The offer price of EUR 6.25 per share was approximately 200 percent above Jerini's volume-weighted average stock price during the three months prior to the offer announcement. Jerini's Management and Supervisory Boards unanimously supported the offer, which was also well received by Jerini's shareholders, 53 percent of whom entered into sale agreements with Shire in respect to their Jerini shares. Once the sale conditions had been satisfied, the purchase agreements were completed. In August, Jerini became a subsidiary of Shire and a member of the Shire group of companies; by October, following completion of the offer periods to Jerini's shareholders, Shire had acquired more than 90 percent of Jerini's shares.

In October 2008, after a review of Jerini's assets and programs, the company announced its intention to divest those assets not related to Firazyr, including Jerini Ophthalmic, Inc., JPT Peptide Technologies GmbH, and most of Jerini's preclinical programs. Jerini continues to explore options to maximize value from the divestments.

Through the subsequent and still ongoing share purchases on the open market, Shire currently holds more than 98 percent of Jerini's outstanding shares, and therefore, is the Main Shareholder according to German stock corporation law. As the Main Shareholder, Shire has requested that a resolution be passed at the next Shareholders' Meeting, scheduled for June 16, 2009, calling for the transfer of those remaining shares held by Jerini's minority shareholders. Further, as the Main Shareholder, Shire may propose a resolution that would authorize Jerini's Management Board to apply for a delisting of Jerini's shares from the Regulated Market of the Frankfurt Stock Exchange.

Since becoming CEO of Jerini in October 2008, my three primary responsibilities have included overseeing the launch of Firazyr, exploring options for divesting non-strategic assets, and managing the acquisition process for Jerini. The response from both patients and physicians to Firazyr, our novel medication for the treatment of HAE, has been extremely heartening. Individual testimonials continue to give us a personal view of how Firazyr can transform the lives of patients with HAE. Above all, I would like to thank and congratulate Jerini's employees, whose dedication has been the backbone of the company and the driving force behind its success. It is my privilege to be a part of the Jerini team.

Sincerely,



Theresa Heggie

GROUP MANAGEMENT REPORT

CONTENT	Business and Economic Conditions	8
	Business Structure	8
	Group Management	9
	Products	10
	Strategy	10
	Development of Other Compounds	11
	Collaborations with Alcon and Baxter	11
	Patents	12
	State of the Economy	13
	Developments in the Pharmaceutical and Biotechnology Sectors	15
	Development of Business Units	15
	Expansion of Business Activities	16
	Financial Overview	16
	Results of Operations	16
	Financial Position and Cash Flow	18
	Investments	18
	Net Assets	19
	Conclusion Company Position	20
	Personnel and Benefits	20
	Environmental Report	20
	Subsequent Events	21
	Remuneration Report	21
	Risk report	23
	Business Risks	24
	Outlook	27
	Additional mandatory disclosures	
	for listed companies pursuant to Sec. 315 Para. 4 HGB	30
	Composition of Share Capital	30
	Shareholders with Direct or Indirect Shareholdings	
	of More Than 10 Percent of the Voting Rights of the Company	30
	Appointment of Members of the Management Board	30
	Change of the Company's Bylaws	28
	Authorizations of Management	30
	Treasury Shares	31
	Change of Control Clauses in Employee	
	and Management Service Contracts	31

GROUP MANAGEMENT REPORT OF JERINI AKTIENGESELLSCHAFT, BERLIN, GERMANY

BUSINESS AND ECONOMIC CONDITIONS

Business Structure

Jerini AG (Jerini) is a Berlin-based pharmaceutical company with eight subsidiaries which are owned either directly or indirectly. The consolidated group is more fully described in note 2.1 of the consolidated financial statements.

Jerini Pharmaceuticals (JPH), is made up of the following business units: Jerini AG together with Jerini US, Inc., Jerini Ophthalmic Holding GmbH, Jerini Ophthalmic, Inc., Jerini Beteiligungen GmbH, Jerini Holding Ltd. and Jerini Trading Ltd. and, JPT Peptide Technologies GmbH together with JPT Peptide Technologies, Inc.

In 2004, the business unit providing peptide services was transferred to a wholly-owned subsidiary, JPT Peptide Technologies GmbH (JPT). In turn, JPT Peptide Technologies, Inc. was established as a wholly-owned sales subsidiary of JPT, registered in the United States.

In November 2005, Jerini established the subsidiary Jerini US, Inc. to develop and commercialize Firazyr® (Icatibant) in the United States and Canada.

In 2006, Jerini established another wholly-owned subsidiary, Jerini Ophthalmic, Inc. (JOI), with headquarters in the United States, to address ophthalmologic indications. Jerini licensed the relevant North American rights of its alpha5beta1 integrin antagonists and its C5aR receptor antagonist to Jerini Ophthalmic, Inc.

In December 2007, Jerini acquired Jerini Beteiligungen GmbH and transferred all shares of its Maltese subsidiaries to this company. Jerini Beteiligungen GmbH holds the rights to Icatibant in certain regions of Europe together with two of its subsidiaries, Jerini Holding Ltd. and Jerini Trading Ltd.

On July 3, 2008, Jerini and Shire Limited's German wholly-owned indirect subsidiary Shire Deutschland Investments GmbH („Shire“) entered into a business combination agreement regarding a strategic partnership. Jerini is now a subsidiary of Shire plc and a member of the Shire group of companies. Shire currently holds more than 98 percent of Jerini's shares.

Group Management

For corporate management purposes, Jerini uses established financial control instruments group-wide along with financial and non-financial performance indicators. The financial performance indicators are derived from budget and actual performance analyses, and are used to determine whether the company's business activities have met specific targets, using revenue-based performance indicators, the monitoring of project costs and the degree of deviation from the budget as performance indicators. These performance indicators are used in conjunction with quantitative and qualitative non-financial performance indicators to measure project progress and their results.

Jerini monitors these indicators as part of its integrated project management and financial control. Reports are made regularly to the company's Management Board, with additional reports when necessary. All projects are analyzed in detail for the purposes of reporting, taking into account all performance indicators.

In addition, certain results and decisions are discussed with members of the company's Advisory and Supervisory Boards.

Products

In July 2008, Jerini received marketing approval from the European Commission for Firazyr® in the treatment of acute attacks of hereditary angioedema (HAE). The European Commission's approval allows Jerini, following applicable pricing and reimbursement procedures, to market Firazyr® in the European Union's 27 member states plus Norway, Iceland, and Liechtenstein. This makes Firazyr® the first product for the treatment of HAE to be approved in all EU countries. In April 2008, Jerini received a Not Approvable Letter from the US Food and Drug Administration (FDA) for its New Drug Application (NDA) for Icatibant in the treatment of HAE. Following its meeting and discussion with the FDA in December 2008, Jerini plans to initiate a placebo-controlled confirmatory Phase III trial during the third quarter of 2009. After this trial is completed, the company will submit a complete response to the FDA.

Strategy

In July 2008, Jerini has announced a strategic partnership with Shire along with Shire's voluntary public takeover offer. Shire currently holds more than 98 percent of Jerini's outstanding shares and has requested that a resolution be passed at Jerini's 2009 Shareholders' Meeting, calling for the transfer of the remaining shares to Shire. In addition, in October 2008, following a review of its assets and programs, Jerini announced its intention to divest those assets not related to Firazyr®, including JOI, JPT, and Jerini's preclinical programs.

The company's strategy takes advantage of the synergetic combination of its internal capabilities and resources with those of its main shareholder Shire. In light of Shire's significantly greater resources in countries around the world, Jerini will market Firazyr® globally using a combination of its own and Shire's resources. Other territories not covered by Shire or Jerini may be covered through commercialization partnerships. Shire provides certain services to Jerini to support its commercialization of Firazyr®.

The degree to which each element of Jerini's strategy is implemented is an important indicator of the company's performance. Moreover, Jerini's close working relationship with a network of renowned scientists, clinical researchers, and industry experts further enhances its business strategy. Jerini monitors and controls the implementation of the various elements with the help of the risk management system.

Research and Development

Progress in the development of Icatibant for the treatment of HAE

As a result of discussions with the FDA, Jerini plans to initiate a placebo-controlled confirmatory Phase III trial during the third quarter of 2009. In addition Jerini plans to initiate a self-administration study, and, in order to fulfill a post-marketing obligation, will also initiate a pediatric study with Firazyr®.

Development of Other Compounds

Age-related macular degeneration

In addition to Jerini's advances with Firazyr® for the treatment of HAE, the company has made progress in other research and development programs in 2008. Jerini's wholly-owned US subsidiary, JOI announced in January 2009 the completion of patient enrollment for its Phase I study of JSM 6427 in patients with refractory neovascular "wet" Age-related Macular Degeneration (AMD). A total of 28 patients were enrolled and exploration of the full range of doses was completed. The Phase I safety and efficacy data are expected to be presented in May 2009.

Small molecule B2 receptor antagonist

Jerini has leading expertise in the pathophysiology of bradykinin and has established the utility and efficacy of bradykinin B2 receptor antagonists in clinical trials with the peptidomimetic Icatibant. Since a pathophysiological level of bradykinin is associated with a variety of disease conditions, both chronic and acute, Jerini has begun to develop an orally available small molecule bradykinin B2 receptor antagonist compound. The company has already identified small molecules showing high activity and good oral bioavailability and is further developing these assets as part of its business strategy.

Collaborations with Alcon and Baxter

In January 2009 the Research Collaboration and License Agreement between Alcon and Jerini was extended to December 2011. Jerini's ongoing collaborations with Alcon and Baxter are an important part of its strategy to maximize value for the divestment of its preclinical assets.

Patents

The company's patent portfolio for existing patents remains unchanged from the previous year. However, Jerini's total patent portfolio increased, as new applications were filed. Overall, Jerini AG holds a solid, comprehensive patent portfolio comprising:

- patents for technology protection
- patents for substances
- the worldwide exclusive license for the human application of Icatibant except for certain indications
- patents for the application of substances for certain medical conditions

State of the Economy

The world economy is widely believed to be in an unprecedented crisis, and governments around the world are taking policy measures aimed at stopping the downward momentum and restoring economic stability. Nevertheless, a rapid turnaround is not expected, and many companies around the world have begun to reduce their workforce and output. Preliminary estimates from the Federal Statistical Office show that the German gross domestic product ("GDP") grew by 1.0 percent in 2008. To counteract the economic downturn, the German government has agreed to implement stimulus packages in 2009 and 2010. Nevertheless, it is expected that the German economy is likely to shrink in 2009.

The Economic Situation in 2008

The economic situation deteriorated in the second half of 2008, with the eurozone experiencing a significant downturn. Reflecting the overall trend, worldwide manufacturing production statistics declined at an annualized rate of 40 percent between September and November. Although Germany reported only moderate GDP declines in the second and third quarters, due to a very strong first quarter, the German GDP managed, on average, to grow last year. The slowdown in growth can be attributed mainly to a reduction in exports.

The Outlook for 2009

GDP is expected to decline sharply this year reflecting the fact that German growth is extremely dependent on manufacturing and exports. As a result, Germany is likely to experience one of the biggest downturns in the Euro-zone in 2009. Business confidence indicators, currently at their lowest levels since German reunification, indicate that the GDP is likely to fall further in the future. Overall, economic activity is expected to shrink by more than 3 percent this year. These are signs that recovery is not imminent and that the current downturn may be severe. The rapid and sharp deterioration in the economic situation is also reflected in the labor market. In December, unemployment increased for the first time since 2006, with the number of unemployed reaching 3 million. The Federal Employment Agency estimates that the number of unemployed could reach as high as 4 million in 2009.

Developments in the Pharmaceutical and Biotechnology Sectors

In 2008, large cap biotech stocks outperformed the markets as they were seen as a safe haven amid the credit crisis, while small and mid-cap biotech companies were hurt by an increasing risk aversion.. The question remains as to when an economic turnaround will occur. In the coming year, mergers & acquisition activity could increase among the smaller names having good assets and low valuations, but capital markets will most likely remain turbulent. In any case, the biotechnology industry's fundamentals, including the number of products in clinical trials, new product approvals, profitable biotech companies, and industry mergers & acquisitions still remain favorable.

Jerini's Business Performance

Development of Business Units

Group revenues decreased by 69.0 percent compared to 2007 from EUR 14.2 million to EUR 4.4 million of which EUR 4.0 million can be attributed to collaborations and EUR 0.4 million to product sales of Firazyr®. The decrease in collaboration revenues can be attributed to a one-time termination payment from Abbott to Jerini in accordance with the termination agreement concluded on September 4, 2007. In addition, the termination agreement resulted in the immediate recognition of the remaining portion of an upfront payment received in November 2005 that had previously been deferred until April 2008.

The ongoing collaboration agreements with Baxter and Alcon contributed EUR 2.5 million and EUR 1.5 million, respectively, to revenues in 2008 compared to EUR 2.4 million and EUR 1.9 million in 2007.

In the pharmaceutical drug development unit, represented by the segment JPH, pharmaceutical compounds are developed inhouse as well as in cooperation with other pharmaceutical companies. The unit's activities cover both preclinical and clinical phases, including monitoring and project management.

The Firazyr® unit, also represented by the segment JPH, concentrates on the commercialization of Firazyr®. The unit's activities cover marketing and sales activities as well as ongoing clinical trials and regulatory activities to maintain current regulatory status and pursue additional marketing approvals.

JPT Peptide Technologies GmbH, represented by the segment JPT, was classified as a disposal group held for sale and as a discontinued operation in 2008. It sells custom-made synthetic peptides and proteins as a service to other companies. Included in its product portfolio are tools for use in pharmaceutical research on proteome analysis and the validation of new targets and target families, among them, peptide chips and ready-to-screen microtiter plates. The unit also manufactures products and provides services for research projects for the pharmaceutical drug development unit.

Expansion of Business Activities

Upon receiving the European Commission's approval of Firazyr® in July 2008, Jerini initiated product launches in September in Germany followed by launches in the UK, Austria, Spain, Greece, Denmark, and Luxemburg. In addition to Firazyr sales in these countries, as of publication of this report, named patient sales were reported for Italy, France, Norway, and Belgium.. In the fourth quarter of 2008, Jerini submitted marketing authorizations in Russia, Brazil, Argentina, Switzerland, and Mexico, for which initial sales are expected in the second half of 2009 and the beginning of 2010. Further activities in the second quarter of 2009 are expected to include submissions in Australia and Canada, By leveraging the sales and marketing capabilities of the Shire group of companies, Jerini plans to expedite the expansion of its business activity. The capacities of Shire can significantly facilitate and accelerate launches of Firazyr® around the world.

Financial overview

Results of Operations

Total revenues for the year decreased by approximately 69.0 percent to EUR 4.4 million (compared to EUR 14.2 million in 2007).

Sales of Firazyr® in 2008 amounted to €0.4 million and are expected to grow significantly as the product is launched in additional countries and market uptake increases.

JPH generated revenues of EUR 4.4 million (compared to EUR 14.2 million in 2007), representing a 69.0 percent decrease. This decrease was primarily attributable to the termination agreement with Abbott resulting in an undisclosed one-time payment in 2007. Adjusted for the termination fee and the sales of study results to Sanofi-Aventis (EUR 0.6 million in 2007) revenues in the drug development and research unit increased by 2 percent.

JPT, reported as discontinued operations, generated EUR 5.9 million revenues compared to EUR 4.4 million in the previous year. Results of the peptide services unit are reported separate from income and expenses from continuing operations as one line below profit after tax in the income statement for the years ended December 31, 2008 and 2007.

Of the EUR 47.5 million in operating expenses from continuing operations (increased from EUR 41.9 million in 2007), about 37.5 percent (prior year: 61.3 percent) was invested in research and development activities. As in prior years, the pharmaceutical drug development unit represented by the segment JPH experienced high spending in ongoing investments in internal drug development programs and drug development infrastructure. A milestone in the amount of EUR 4.0 million as a result of the approval of the marketing authorization of Firazyr® for the treatment of HAE by the EMEA has been capitalized in 2008, whereas milestone payments in prior years were expensed as the requirements for capitalization were not met. Capitalization of the milestone payment in 2008 had a positive effect on the year-over-year comparison of research and development expenses. Adjusted for this effect, research and development expenses decreased by EUR 3.9 million. On the contrary, marketing and sales expenses increased by EUR 3.1 million to EUR 10.5 million in 2008 as a result of product launch activities for Firazyr in 2008. General and administrative expenses from continuing operations increased by EUR 10.3 million mainly as a result of transaction fees of EUR 4.9 million with regard to the acquisition of the majority of shares by Shire as well as change of control payments to Jerini's former Management Board in the amount of EUR 3.5 million. These costs are not expected to be recurring.

The increased net loss from continuing operations (from EUR 25.7 million in 2007 to EUR 39.8 million in 2008) is mainly due to the increase in operating expenses of EUR 5.6 million and a decrease in revenues of EUR 9.8 million in 2008 over 2007 offset by credits of EUR 2.4 million from the recognition of deferred tax assets in 2008.

Financial Position and Cash Flow

The company disclosed a net cash outflow from operating activities of EUR 52.8 million in 2008 (compared to EUR 26.5 million in 2007). The cash outflow for investments in property, plant, and equipment amounted to EUR 1.3 million (EUR 1.0 million in 2007). At EUR 22.3 million, a net cash inflow from financing activities was generated in 2008 (cash outflow prior year: EUR 0.6 million). This inflow in 2008 resulted from issuance of shares from the exercise of stock options (EUR 1.7 million), issuance of 5,229,747 common shares to Shire (EUR 20.9 million), repayment of bank loans (EUR 0.3 million).

The cash burn (defined as the net cash inflow/outflow from operating and investing activities) increased by 96.4 percent and amounted to EUR 54.0 million compared to EUR 27.5 million in 2007.

Cash and cash equivalents, including cash and cash equivalents of disposal groups held for sale, and excluding restricted cash for lease deposits of EUR 0.3 million in 2008 and 2007, amounted to EUR 6.6 million as of December 31, 2008 (compared to EUR 37.9 million in 2007).

Investments

In the fiscal year 2008 a EUR 4.0 million milestone payment to Sanofi-Aventis, resulting from the EMEA's marketing approval of Firazyr in July 2008 was capitalized as an intangible asset, but excluded from investing activities in the consolidated cash flow statements as payment is due in 2009. Furthermore Jerini invested a total of EUR 1.3 million (including EUR 0.8 million for disposal groups held for sale) in property, plant, and equipment, which was generally related to laboratory equipment, especially technical equipment in the amount of EUR 1.0 million (including EUR 0.7 million for disposal groups held for sale).

Net Assets

Fixed assets for property, plant, equipment, and intangible assets increased by 72.7 percent from EUR 4.4 million to EUR 7.6 million (including EUR 1.6 million for disposal groups held for sale) mainly as a result of the capitalization of a EUR 4.0 million milestone to Sanofi-Aventis. Cash and cash equivalents in 2008 decreased by EUR 31.4 million (from EUR 38.2 million in 2007) to EUR 6.8 million (including EUR 4.2 million EUR for disposal groups held for sale). Jerini's equity increased by EUR 20.9 million, due to the issuance of 5,229,747 new shares of Jerini AG against payment in cash to Shire as a component of the Business combination agreement executed on July 3, 2008. Furthermore equity increased by EUR 1.2 million due to the exercise of 1,177,727 stock options in 2008.

The company's trade payables and other liabilities remained with EUR 10.2 million (including EUR 1.0 million EUR for disposal groups held for sale) in principal on the same level as in prior year (EUR 11.1 million in 2007) as a result of expanding business activity and the accrual of another milestone payment to Sanofi-Aventis due to approval of the marketing authorization by EMEA, whilst prior year milestones in the amount of EUR 4.0 million were paid in 2008. The decrease of upfront and prepaid research fees by EUR 0.4 million was attributable to the release of prepaid FTE fees received under the collaboration agreements with Baxter and Alcon.

Conclusion Company Position

The overall results of operation, financial position, cash flow situation, net assets regarding the development of net results, development of cash flow, the composition of net assets and considering the assumptions and judgments in the Outlook section, together with the secured funding through its main shareholder Shire show that Jerini remains despite a further year of losses in a financially secure position to proceed as a going concern. It is noted that Jerini fully depends on the ability of its main shareholder Shire to provide sufficient liquid funds as Jerini will not generate sufficient liquidity during the next 24 months to fund its operations on its own. As a result of the relationship with Shire, Jerini will be able to launch Firazyr® in Europe as well as in other regions of the world either on its own or in cooperation with Shire, strengthening its economic position.

Personnel and benefits

As of December 31, 2008, Jerini AG employed 154 people (including Management Board members), of whom 80 held research and development positions, 21 worked in the sales and marketing department, 30 were engaged in peptide services, and 23 worked in other areas of the company. As a result of the acquisition of the majority of shares by Shire, a total of 2,187,099 stock options under the 2002 plan, the 2005/I plan, the 2005/II plan, and the 2006/I plan were cancelled under an agreement with the holders of the stock options (employees and members of management as well as employees and members of management of Jerini subsidiaries), which were reimbursed by Shire at the intrinsic value of the options (fair value at the date of acquisition less strike price of the options).

Environmental report

The company has no environmental matters to report as this is not applicable to its operations. Jerini does not operate any production facilities for pharmaceutical products.

Subsequent events

For further explanations regarding subsequent events, please refer to note 28 to the consolidated financial statements.

Remuneration report

Management Board remuneration consists of a fixed and a variable component and, in the past, of stock-based compensation. The variable component is determined by various criteria, including the achievement of certain individual and company performance goals that are set annually by the Supervisory Board. Some members of the Management Board also receive certain benefits, such as a company car, a car allowance and disability insurance.

As a result of the takeover, member of the former Management Board took advantage of the "Change of Control" clause in their service contracts and terminated their agreements prematurely. If a Management Board member's employment ended due to a "Change of Control," the Management Board member in question was entitled, under his existing contract, to a payout of his earnings (annual salary plus *tantieme*) for the residual term of his employment contract up to a maximum of three years ("Change of Control" settlement). If the residual term of the employment contract was less than two years, the amount of the Change of Control settlement was based on annual salary plus *tantieme* for two years. The Change of Control settlement was reduced by 10 percent for purposes of discounting interest and off-setting other income.

Until October 9, 2008, Management Board members were subject to a non-competition clause for two years after the contract's termination. During this period, the members are eligible to receive a maximum monthly compensation of up to 50 percent of the monthly average of the total fixed and variable remuneration, excluding any additional milestone bonus, received in the last full calendar year prior to termination.

After October 9, 2008, one Management Board member is subject to a non-competition clause for one year after the contract's termination. During this period, the member is eligible to receive a maximum monthly compensation of 50 percent of the monthly average of the total fixed and variable remuneration plus other benefits, excluding any additional special service milestone bonus, received in the last full calendar year prior to termination. In addition, in case of termination or expiration of his service agreement, the respective member is eligible to receive severance pay, corresponding pro rata to the aggregate remuneration for the remaining term of the original agreement, but in no event for a remaining term of less than 6 months. The aggregate remuneration consists of the prorated total annual fixed remuneration and annual variable remuneration at 100 percent. Two current Management Board members can receive, according to their contracts, severance pay of up to three months, but their contracts do not contain a non-competition clause.

In accordance with the articles of association, remuneration for duties carried out by the members of the Supervisory Board will be paid at a fixed rate of EUR 20,000 for every full fiscal year of Supervisory Board membership. All expenses incurred by Supervisory Board members are reimbursed. The chairman of the Supervisory Board receives double this amount, and the deputy chairman one and a half times this amount. Pro-rated remuneration is paid for parts of a fiscal year. The company concluded a D&O liability insurance policy on behalf of the members of the Supervisory Board and Management Board. Further details are included in note 27 to the company's consolidated financial statements.

Risk report

As an internationally operating pharmaceutical company, Jerini's activities are subject to various risks that are linked to activities in the field of pharmaceutical research and development. Furthermore, the group's services are subject to risks common to that business. The occurrence of one or more of the risks set forth below could have materially adverse effects on the company's business, financial position, and results of operations. Therefore, Jerini has established a risk management system in accordance with standards customary to its business and statutory requirements to identify, observe, and assess potential risks through-out its business functions. The risk management system is an important component of Jerini's corporate management system as it is an integral part of the business, planning, and control processes, embedded in the company's information and communications system. Jerini's Management Board is responsible for the design of the risk management system. The company actively monitors all identified risks and projects.

Business Risks

- Jerini is substantially dependent on the success of its lead drug Firazyr®.
- Firazyr® competes in certain European countries with CSL Behring's Berinert P, a human plasma-derived C1-esterase inhibitor (C1-INH) product; CSL Behring is in the process of seeking regulatory approval for Berinert P in additional European countries. Other competitive products in development for HAE include Dyax Corporation's Ecallantide, a plasma kallikrein inhibitor, and Pharming Group's Rhucin, a recombinant version of C1-INH. The drug candidates of its competitors may be launched earlier than Firazyr® in certain markets, may prove to be superior treatment alternatives, or may be better accepted by patients, physicians, or third-party payers.
- In addition to Firazyr®, Jerini has several drug candidates in the preclinical and clinical development phase. Although Jerini intends to divest most of these assets, it may not be possible to do so successfully. Even if divestment of the assets is successful Jerini may be unable to generate profits from the divestment if generation of revenues is dependent on future success of the divested assets. The development of a new drug takes, on average, between 10 to 15 years. All new drug candidates must undergo rigorous testing, the results of which are uncertain. A compound may generally fail in any stage of this process. Accordingly, it is possible that none of the assets to be divested will receive marketing approval and that no future revenues may be generated from royalties and milestones.
- The level of revenues that Jerini may generate from Firazyr® also depends on the extent to which governmental authorities, health insurers, and other third-party payers establish appropriate reimbursement levels, which cannot be guaranteed.

- Should Jerini obtain further marketing approval for Firazyr® outside the EU, such approval may be subject to limitations on the indicated uses for Firazyr®. Jerini may be exposed to substantial liabilities if any of its drug candidates or Firazyr® were to cause adverse side effects.
- Jerini relies on the limited protection of Firazyr®'s orphan drug status in the European Union and in the United States for the treatment of HAE. This status may be revoked in the European Union.
- Jerini depends on a sole-source supplier to manufacture Icatibant and other third parties to complete the manufacture and distribution of Firazyr®.
- Jerini has in-licensed the compound Icatibant, from Sanofi-Aventis. Termination of the license agreement would have a material adverse impact on its business. As Jerini commercializes Icatibant, Jerini is obligated to pay to Sanofi-Aventis royalties of up to 12 percent of the revenues from the sale of Icatibant worldwide, which reduce profits in the form of cost of goods sold.
- To date, Jerini has not generated profits. Before the company achieves profitability, it will be dependent on, amongst other sources funds raised through debt financing. Insufficient sales revenues could impair the Company's net equity ratio and lead to thin capitalization.

Liquidity Risk

- Due to the low amount of cash and cash equivalents as of December 31, 2008, Jerini is dependent on its parent company to provide liquid funds on an ongoing basis. Thus, Jerini actively monitors its liquidity needs to stay solvent while maintaining low loan interest expense.
- Jerini conducts business in countries outside the Euro-zone and is therefore subjected to foreign exchange risks. A majority of the business is currently conducted in the Euro-zone. Future business will, to a higher extent, be conducted in other currencies, namely the US-dollar and pound sterling. Jerini is aware of the foreign exchange risks and investigates with every foreign exchange related transaction if a corresponding hedge is favorable and necessary.

Intellectual Property Risks

- Jerini depends on the protection of its drug candidates and technologies by patents and other intellectual property rights. If unable to protect or to enforce its rights, Jerini's ability to compete effectively may be materially adversely affected.
- If Jerini's development projects were to infringe upon the intellectual property rights of third parties of which the company is not aware, the company could be subject to expensive litigation.

Outlook

Given the progress in launching Firazyr® in the EU and the anticipation of receiving marketing authorization in other regions of the world, Jerini is concentrating on establishing efficient sales and distribution structures taking into consideration already established structures of its main shareholder Shire. In addition, Jerini is focusing on divesting its non-strategic assets to optimize net results from the divestment process. Jerini anticipates maximizing revenue streams from these assets by retaining certain rights to or contribution of the assets as consideration given for shares in ventures developing and commercializing the assets.

Jerini expects to derive all its revenues from Firazyr sales. In the near future, the company expects to incur further research and development expenses as a result of a placebo-controlled confirmatory Phase III trial and submission of its full response letter to the FDA, as well as other clinical studies to advance the indications (e.g. self administration, use in pediatrics) of Firazyr®. Marketing and sales expenses are expected to increase significantly as a result of the commercialization of Firazyr® in additional territories and the expansion of business activity. Revenues for 2009 are not expected to cover expenses.

Management expects to reach operational goals and continue to increase revenues by launching Firazyr® in additional markets and territories.

As of December 31, 2008, cash and cash equivalents amounted to EUR 6.8 million. Jerini currently depends on liquidity provided by its main shareholder Shire to finance operations. Financing by Shire has been considered in the mid to long-term business plan for the years 2009, 2010 and thereafter to guarantee going concern.

On March 25, 2009 Jerini signed an uncommitted loan agreement with Shire Global Finance in the amount of € 34 million to fund its operations and provide necessary liquidity on an on-going basis. The agreement is interest-bearing at 6.5 percent plus ECB base rate. The loan is due for repayment at the earlier of either expiration of the agreement after two years or repayment by Jerini from its own liquid resources.

In order to meet its payment obligations Jerini relies on timely inflow of funds from the parent company. Furthermore, Jerini relies on Shire to maintain an adequate equity level.

Management's business strategy is based on the generation of revenues through Firazyr sales and the development of new markets and indications for Firazyr®. As a result of increasing revenues from the sale of Firazyr® and decreasing expenses due to divestment of non-Firazyr® assets, the company anticipates a lower net loss for the year 2009. This trend is expected to continue in 2010 as revenues from Firazyr® are expected to increase due to first time full year revenues generated in countries where Firazyr® had previously been launched and additional product launches in 2010. In addition, operating expense margin in percent of sales are expected to decrease compared to 2009 and 2008. The loan agreement and funds provided by Shire are expected to be sufficient for Jerini to continue as a going concern and finance its operations through the end of 2010.

Opportunities resulting from Business Activities

As a result of the strategic review of Jerini's assets and the decision to divest all non-strategic assets, Jerini will be able to focus all of its resources on the commercialization of Firazyr® and the development of other indications, including in the longer term, in the field of angioedema. The decision to divest the preclinical programs as well as the ophthalmic business will also result in Jerini not incurring significant increases in R&D; the advancement of ophthalmic compounds will require double- to triple-digit million dollar amounts over the next five years. Furthermore, Jerini will be able to participate in future potential revenue streams generated from these compounds either in the form of either royalties and milestone payments, or through an increase in value of minority investments held in the divested assets.

Additional mandatory disclosures for listed companies pursuant to Sec. 315 Para. 4 HGB

Composition of Share Capital

The company's share capital consists of 58,942,179 common shares with a nominal value of EUR 1.00 per share. For further details, please refer to notes of the consolidated financial statements.

Shareholders with Direct or Indirect Shareholdings of More Than 10 Percent of the Voting Rights of the Company

Shire Deutschland Investments GmbH holds approximately 98.3 percent of shares in Jerini.

Appointment of Members of the Management Board

The appointment of members of the Management Board is ruled by sections 84 and 85 of the German corporation law (Aktiengesetz). According to the articles of association, members of the Management Board are appointed by the Supervisory Board for a term of up to five years. Recurring appointments and the extension of the term for a period of up to five years are allowed.

Change of the Company's Bylaws

Sections 133 and 177 of the German corporation law (Aktiengesetz) apply to changes of the company's bylaws. The Supervisory Board is authorized to resolve changes of and amendments to the articles of association, as necessary.

Authorizations of Management

The Management Board is authorized, subject to the Supervisory Board's consent, to increase Jerini AG's registered share capital one or more times, by issuing up to 26,267,352 new no par value ordinary bearer shares with a nominal amount of EUR 26,267,352.00 in exchange for cash or non-cash contributions until June 26, 2013. For further details, please refer to the notes to the consolidated financial statements.

Treasury Shares

At the Shareholders' Meeting on June 26, 2008, it was resolved to authorize Management to acquire and use treasury shares in the amount of 10 percent of the share capital with the possibility to exclude subscription rights and termination of previous authorization dated June 13, 2007. Management may acquire in one or more tranches. The authorization expires on December 25, 2009.

Change of Control Clauses in Employee and Management Service Contracts

Please refer to the section remuneration report.

Berlin, March 2009

Theresa Heggie
(Chief Executive Officer)

Christian von Volkmann
(Chief Financial Officer)

Dr. Whaijen Soo
(Chief Scientific Officer)

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Berlin, March 2009

Theresa Heggie
(Chief Executive Officer)

Christian von Volkmann
(Chief Financial Officer)

Dr. Whaijen Soo
(Chief Scientific Officer)

CONSOLIDATED FINANCIAL STATEMENTS

CONTENT	Consolidated Financial Statements	33
	Consolidated Income Statements	35
	Consolidated Balance Sheets	36
	Consolidated Statements of Shareholders' Equity (Deficit)	38
	Consolidated Statements of Cash Flows	40
	Notes to the Consolidated Financial Statements	42
	1. Corporate Information	42
	2. Summary of Significant Accounting Policies	42
	3. Segment Information	81
	4. Discontinued Operations	86
	5. Revenues and Expenses	91
	6. Loss per share	95
	7. Intangible Assets	98
	8. Equipment	100
	9. Inventories	102
	10. Trade Accounts Receivable	103
	11. Other Current Assets	104
	12. Capital Interest Tax Receivable	105
	13. Other Financial Assets	105
	14. Cash and Cash Equivalents	106
	15. Shareholders' Equity	107
	16. Share-based Compensation	114
	17. Bank Loans	123
	18. Government Grants	123
	19. Trade Accounts Payable	125
	20. Other Liabilities	126
	21. Provisions	127
	22. Income Taxes	127
	23. Collaboration Agreements	132
	24. Notes to the Cash Flow Statement	133
	25. Commitments and Contingencies	134
	26. Financial Risk Management Objectives and Policies	135
	27. Related Parties and Total Remuneration of the Management and Supervisory Board	141
	28. Subsequent Events	145
	29. Additional Information provided pursuant to Sec. 315a of the German Commercial Code (HGB)	146
	30. Boards of the Company and Registered Office	147

Consolidated Income Statements as of December, 31 2008 (IFRS)

in thousand € (except share and per share data)	Note	2008	2007 Restated*
CONTINUING OPERATIONS			
Revenues			
Collaboration agreements	3,23	4,047	14,222
Product sales		381	–
Total revenues		4,428	14,222
Other income	5	493	406
Cost of product sales	5	–103	–
Research and development expenses	5	–17,797	–25,674
General and administrative expenses	5	–19,381	–9,033
Selling and distribution costs	5	–10,553	–7,419
Other expenses	5	–140	–134
Loss from operations before tax and finance cost		–43,053	–27,632
Finance income	5	838	1,967
Finance cost	5	–3	–2
Loss before tax		–42,218	–25,667
Income tax		2,444	–
Net loss from continuing operations		–39,774	–25,667
DISCONTINUED OPERATIONS			
Loss after tax from discontinued operations	4	–7,744	–3,391
Net loss		–47,518	–29,058
Attributable to Minority interests		–	–44
Attributable to Equity holders of the parent		–47,518	–29,014
Basic and diluted net loss per share	6	–0.85	–0.55
Basic and diluted net loss per share from continuing operations	6	–0.72	–0.49
Shares used in computing basic and diluted net loss per share	6	55,610,127	52,481,310

* Certain numbers shown here do not correspond to the 2007 financial statements and reflect adjustments made as detailed in Note 2.3

Consolidated Balance Sheets as of December, 31 2008 (IFRS)

Assets

in thousand €	Note	2008	2007
Assets			
Non-current assets			
Intangible assets	7	3,939	169
Equipment	8	2,027	4,268
Deferred tax asset	22	2,444	-
Total non-current assets		8,410	4,437
Current assets			
Inventories	9	958	54
Trade accounts receivable	10	246	837
Other financial assets	13	246	191
Capital interest tax receivable	12	974	1,428
Other assets	11	659	644
Cash and cash equivalents	14	2,601	38,180
Total current assets		5,684	41,334
Assets of disposal groups classified as held for sale	4	6,428	-
Total assets		20,522	45,771

LIABILITIES

in thousand €	Note	2008	2007
Liabilities and shareholders' equity (deficit)			
Shareholders' equity (deficit)			
Issued Capital			
Common shares	15	58,942	52,535
Additional paid-in capital	15,16	89,546	72,365
Foreign currency differences	15	-270	-645
Retained loss	15	-139,278	-91,760
Total shareholders' equity		8,940	32,495
Non-current liabilities			
Trade accounts payable	19	-	31
Government grants	18	177	486
Bank loans	17	-	100
Other liabilities	20	-	-
Total non-current liabilities		177	617
Current liabilities			
Trade accounts payable	19	7,626	9,611
Upfront and prepaid research fees	23	494	911
Government grants	18	248	511
Bank loans	17	-	200
Other liabilities	20	1,556	1,418
Provisions	21	130	8
Total current liabilities		10,054	12,659
Liabilities directly associated with disposal groups classified as held for sale			
	4	1,351	-
Total shareholders' equity and liabilities		20,522	45,771

Consolidated Statements of Shareholders' Equity (Note 15, 16)

in thousand € (except share and per share data)	Common Shares Shares	Amount	Additional Paid-in Capital
Balances as of January 1, 2007	52,458,471	52,458	71,119
Translation adjustment	–	–	–
Net Loss	–	–	–
Total income and expense for the period	–	–	–
Stock based compensation	–	–	1,190
Issuance of common shares by subsidiary	–	–	–
Issuance of shares from the exercise of stock options	76,234	77	56
Balances as of December 31, 2007	52,534,705	52,535	72,365
Balances as of January 1, 2008	52,534,705	52,535	72,365
Translation adjustment	–	–	–
Net Loss	–	–	–
Total income and expense for the period	–	–	–
Stock based compensation	–	–	971
Issuance of shares from the exercise of stock options	1,177,727	1,177	521
Issuance of common shares on July 7, 2008	5,229,747	5,230	15,689
Balances as of December 31, 2008	58,942,179	58,942	89,546

Foreign Currency Differences	Accumulated Deficit	Shares of Group	Shares of other shareholders	Total
5	-62,746	60,836	-	60,836
-650	-	-650	-	-650
-	-29,014	-29,014	-44	-29,058
-650	-29,014	-29,664	-44	-29,708
-	-	1,190	-	1,190
-	-	-	44	44
-	-	133	-	133
-645	-91,760	32,495	-	32,495
-645	-91,760	32,495	-	32,495
375	-	375	-	375
-	-47,518	-47,518	-	-47,518
375	-47,518	-47,143	-	-47,143
-	-	971	-	971
-	-	1,698	-	1,698
-	-	20,919	-	20,919
-270	-139,278	8,940	-	8,940

Consolidated Statements of Cash Flows

in thousand €	Note	Year ended December 31,	
		2008	2007
Operating activities			
Loss before tax from continuing operations		-42,218	-25,667
Loss before tax from discontinued operations		-7,744	-3,391
Loss before tax		-49,962	-29,058
Adjustments to reconcile net loss before tax to net cash used in operating activities			
Depreciation expense	8	1,872	1,885
Amortization expense	7	230	47
Other interest received	5	-941	-2,134
Other interest expense	5	18	28
Net release of government grants	18	-280	-135
Employee stock-based compensation	16	971	1,190
Other non-cash transactions		-	44
		-48,092	-28,133
Changes in operating assets and liabilities			
Inventories	9	-960	4
Trade accounts receivable	10	216	241
Other current assets, other financial assets and prepaid expenses	11, 13	-202	826
Trade accounts payable and other liabilities	19	-4,805	4,045
Provisions	21	122	-200
Upfront and prepaid research fees	23	-417	-4,942

in thousand €	Note	Year ended December 31,	
		2008	2007
Cash used in operations		-54,138	-28,159
Capital interest tax received (paid)	12	454	-409
Interest received		941	2,134
Interest paid		-18	-28
Net cash used in operating activities		-52,761	-26,462
Investing activities			
Purchases of equipment	8	-1,260	-1,029
Cash used in investing activities		-1,260	-1,029
Financing activities			
Issuance of shares from the exercise of stock options	15	1,698	133
Issuance of common shares	15	20,919	-
Payment of bank loan	17	-300	-701
Net cash provided by (used in) financing activities		22,317	-568
Net change in cash and cash equivalents		-31,704	-28,059
Cash and cash equivalents at beginning of year	14	37,907	66,611
Translation adjustment		361	-645
Cash and cash equivalents at end of the year	14	6,564	37,907

Supplemental disclosure of cash flow information see Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The consolidated financial statements for the year ended December 31, 2008 of Jerini AG (the Company, the Group or Jerini) were authorized by the Management Board for issuance to the Supervisory Board on March 25, 2009 (date of authorization for issuance pursuant to IAS 10.6).

Jerini AG's shares are listed on the Prime Standard of the Frankfurt Stock Exchange.

The principal activities of the Group are described in Note 3.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis applying the going concern assumption. There were no financial instruments or derivative financial instruments carried at fair value as of December 31, 2008 and 2007. The consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand except when otherwise indicated.

Statement of compliance

The consolidated financial statements of Jerini AG and all of its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as in force in the European Union and as supplemented by Sec. 315a of the German Commercial Code (HGB) as required for statutory purposes.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Jerini AG and its subsidiaries at December 31 each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income, expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. The disposal of shares of subsidiaries while keeping the majority voting interest is accounted for using the entity method. The disposal is treated as a transaction between stockholders which does not affect income.

As in prior year the consolidated Group comprises the following entities:

Name	Office	Shareholding
Jerini AG	Berlin, Germany	Parent Company
Jerini US, Inc.	Morristown, NJ, USA	100.00%
JPT Peptide Technologies GmbH (JPT)	Berlin, Germany	100.00%
JPT Jerini Peptide Technologies, Inc.	Springfield, VA, USA	100.00% ¹⁾
Jerini Ophthalmic Holding GmbH	Berlin, Germany	100.00%
Jerini Ophthalmic, Inc.	New York, NY, USA	96.00% ²⁾
Jerini Beteiligungen GmbH	Berlin, Germany	100.00%
Jerini Holding Ltd.	St. Julians, Malta	99.96% ³⁾
Jerini Trading Ltd.	St. Julians, Malta	99.96% ⁴⁾

1) Indirect shareholdings via JPT

2) 77.4% direct interest and 18.6% indirect interest via Jerini Ophthalmic Holding GmbH

3) Indirect shareholdings via Jerini Beteiligungen GmbH 99.96%

4) Indirect shareholdings via Jerini Holding Ltd. 99.92% and indirect shareholdings via Jerini Beteiligungen GmbH 0.04%

Changes to the consolidated Group

No entities were acquired during the year ended December 31, 2008.

The consolidated Group was expanded to include a company purchased on December 7, 2007, Jerini Beteiligungen GmbH, which had no revenues or expenses during the period from December 7, 2007 to December 31, 2007. When purchasing the company, Jerini AG only acquired cash amounting to € 25 thousand for € 25 thousand. In the course of an intragroup reorganization, which followed the purchase of Jerini Beteiligungen GmbH, the shares which the Jerini AG holds of Jerini Holding Ltd. and Jerini Trading Ltd. were transferred to the Jerini Beteiligungen GmbH via a share purchase and transfer agreement. Furthermore the marketing and sales rights for Icatibant for the countries Belgium, Denmark,

Ireland, Greece, Luxembourg, Netherlands, Austria, Portugal, Finland and Sweden were transferred from the Jerini AG to the Jerini Beteiligungen GmbH via an assignment agreement. Jerini Beteiligungen GmbH then granted these marketing and sales rights via a sublicense to Jerini Trading Ltd. The assets and liabilities as well as the income and expenses which were accounted for before intragroup reorganization remained unchanged for these companies.

2.2 Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have a significant effect on the amounts recognized in the financial statements:

Deferred upfront payments

Upfront payments received in connection with development projects are deferred and released into income over the expected minimum term of the project. The deferral of upfront payments approximates the economic terms of the agreements.

Treatment of development expenses

Due to regulatory and other uncertainties, the Company has not capitalized any development costs. Milestone payments before regulatory approval in connection with compounds licensed to the Company are expensed for the same reason.

Milestone payments due after regulatory approval has been received are capitalized as intangible assets, if conditions for capitalization were met and amortized over the expected period of market exclusivity or until patent protection expires.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in Note 16.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Disclosures regarding capitalized deferred tax asset resulting from loss carryforwards can be found in Note 22.

As in the previous year's deferred taxes were capitalized for tax losses as of December 31, 2008 only to the extent that deferred tax liabilities can be offset against future taxable income.

2.3 Summary of significant accounting policies

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from continuing income and expenses down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated/amortized.

Foreign currency transactions

The consolidated financial statements are presented in Euros, which is the Company's presentation currency. That is the currency of the primary economic environment in which Jerini operates. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currency of the foreign operations, Jerini US, Inc., Jerini Ophthalmic, Inc., and JPT Jerini Peptide Technologies, Inc., is the US Dollar. As of the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of Jerini at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. All other affiliates have their domiciles in Europe and have the Euro as functional currency.

Intangible assets

*Intangible assets acquired separately and intangible assets
acquired in a business combination*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed, at a minimum, at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

The Group-wide standardized useful lives are as follows:

- Patents and Licenses: 8 to 15 years
- Other: 3 and 4 years

Currently all of the Company's intangible assets have finite lives.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

In the opinion of management, due to the regulatory and other uncertainties inherent in the development of the Company's new products, the criteria for development costs to be recognized as an asset, as prescribed by IAS 38, Intangible Assets, are not met until the product has received regulatory approval and when it is probable that future economic benefits will flow to the Company. Accordingly, the Company has not capitalized any development costs with the exception of a milestone payment incurred after the receipt of regulatory approval for Firazyr® by the EMEA (European Medicines Agency, London) in July 2008.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period until expiry of patent protection and end of market exclusivity, which is the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Equipment

Equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such equipment when that cost is incurred if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Laboratory and technical equipment: 3 to 10 years
- Office equipment: 2 to 10 years
- Software: 3 to 5 years

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

When each major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied.

Grants received with regard to equipment are not deducted from the carrying value but are deferred as a liability.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The asset's residual values, useful lives, and methods are reviewed and adjusted, if appropriate, at each financial year-end.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and supplies
- Finished and unfinished goods
- Purchase cost on a first-in, first-out basis;
- Cost of direct materials and labor and appropriate portions of personnel cost and depreciation.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories of JPT consist of finished and unfinished goods for which sales are guaranteed by orders.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate in the individual case. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value, through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in profit or loss. As of December, 31, 2008 and 2007 the company had no financial assets at fair value through profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process. As of December 31, 2008 and 2007 the company had no held-to-maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade accounts receivable, other financial assets and cash and cash equivalents included in the balance sheets have been grouped with loans and receivables. Such assets are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. As of December, 31, 2008 and 2007 the company had no available-for-sale financial investments.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Due from loans and advances to customers

For amounts due from loans and advances to customers carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced

through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the income statement.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group's continuing involvement in the asset.

Provisions are made for trade receivables and other receivables when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less (except for lease deposits).

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

The company's financial liabilities consist of loans from banks and trade accounts payable.

Interest bearing loans and borrowings

All loans are initially recognized at the fair value of the consideration received less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss. As of December, 31, 2008 and 2007 the company had no financial liabilities at fair value through profit or loss.

Trade accounts payable

Trade accounts payable are generally due within 30 days and are initially recognized at the fair value of the received services. After initial recognition trade accounts payable are measured at amortized cost.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share-based payment transactions

Employees (including management) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for stock option awards ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. With respect to stock option awards granted under the stock option plan 2006, the fair value is determined by an external appraiser using a Monte-Carlo-Simulation while the fair value of stock option awards granted under all other plans is determined by the Company using a Black-Scholes model (see note 16 for further details). In valuing equity-settled transactions, no account is taken of any performance conditions other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate (excluding market conditions) of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for those awards where vesting is conditional upon a market condition, which are treated as vesting regardless of whether the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, at a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The effect of outstanding options is not reflected in the computation of loss per share as the effect is antidilutive (see note 6).

The Company has taken advantage of the exemption in IFRS 1.25B related to equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after November 7, 2002 that had not vested on or before December 31, 2002.

Leases – Group as lessee

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date (i.e., whether the fulfillment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset).

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement in equal amounts over the expected useful life of the related asset.

Taxes

Current income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in cases of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses, can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in cases of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax ('VAT') except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Revenue recognition

The Company's revenues consist of fees earned from research and development collaborations, license agreements, and sales of Firazyr® and the Company's peptide products. Revenues from research and development agreements generally consist of upfront licensing fees, fees for ongoing research support, as well as milestone and royalty payments.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and VAT or duty. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. This is usually fulfilled if goods or products have been sent.

Rendering of services

Non-refundable upfront licensing fees and certain guaranteed, time-based payments that require continuing involvement in the form of research and development, manufacturing, or other commercialization efforts by the Company are recognized as revenue ratably over the base period of the underlying contract, which approximates the timing of costs incurred under the research and development portion of the agreement. The ongoing research support provided for the Company's customers, which may or may not be related to the licensing arrangements, relates to full time-equivalent researchers who perform relevant research activities for the customers. Fees for research support are recognized as revenue when the support is provided to the customer.

Royalty revenues are recorded when earned by the Company. Insignificant amounts of royalty revenues have been recorded to date.

Research and development expenses

Research and development (R&D) expenses include salaries, benefits and other personnel-related costs, clinical trial and related clinical manufacturing costs, contract and other outside service fees, and facilities and overhead costs. R&D expenses consist of independent R&D costs and costs associated with collaborative R&D and in-licensing arrangements. R&D costs, including upfront fees and milestones paid to collaborative partners that do not meet the requirements of IAS 38.57 seq. for capitalization of self developed immaterial assets, are generally expensed as incurred.

Cost of product sales

Cost of product sales include expenses for material used in product sales, changes in inventory, services received in connection with product sales, and allocable portions of personnel expense and depreciation. They meet the definition of cost of inventories recognized as expense according to IAS 2.39.

Selling, general and administrative expenses

accrue at the time services are rendered or expense occurs.

Interest income

is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Finance cost

is not capitalized as cost of acquisition.

2.4 Adoption of IFRSs and IFRIC interpretations without effect

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures.

- IAS 39 „Financial Instruments: Recognition and Measurement“ / IFRS 7 „Financial Instruments: Disclosure“ – reclassification of financial assets
- IFRIC 11 „IFRS 2 – Group and Treasury Share Transactions“
- IFRIC 14 „IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

According to the amendments to IAS 39 / IFRS 7 financial assets held for trading, that are no longer held with the intention to sell or buy in the near term future may be reclassified out of the ‘fair value through profit or loss’ and ‘available-for-sale’ (AFS) categories in limited circumstances. The amendments have not been applied to the consolidated financial statements of Jerini AG as no respective financial assets exist.

IFRIC 11 requires arrangements whereby an employee is granted rights to an entity’s equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. Implementation of IFRIC 11 had no impact on the consolidated financial statements.

IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. The interpretation is not applicable to the consolidated financial statements of Jerini AG.

IFRSs and IFRIC interpretations not yet effective

The Group has not applied the following IFRSs and IFRIC Interpretations which are not yet effective and were only partially passed by the European Union:

EU-Endorsement completed

IASB and IFRIC have published the following standards and interpretations that have already been adopted into EU-law under the comitology approach, but whose application had not been mandatory for the year ended December 31, 2008. The Jerini Group did not apply these standards and interpretations early.

IFRS 8 Operating Segments

IFRS 8 was issued in November 2006 and is effective for financial years beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 Segment Reporting requiring disclosure about determination of primary and secondary reporting formats. IFRS 8 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker.

IAS 23 Borrowing Costs

The IASB issued an amendment to IAS 23 in April 2007. The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The revised IAS 23 will be effective for financial years beginning on or after 1 January 2009.

IAS 1 Presentation of Financial Statements

The IASB issued revised IAS 1 Presentation of Financial Statements in September 2007 which will be effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. Therefore, the statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces a statement of comprehensive income: presenting all items of income and expense recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements

The amendments to IFRS 1 and IAS 27 were issued in May 2008 and will be effective for financial years beginning on or after 1 January 2009. The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statement. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent's separate financial statement and do not have an impact on the consolidated financial statements.

IFRS 2 Share-Based Payment (Amendments)

The IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is cancelled. This amendment will be effective for financial years beginning on or after 1 January 2009.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features.

Improvements to IFRSs

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to remove inconsistencies and clarifying wording, but also with material impact on accounting and valuation. These amendments become effective for financial years beginning on or after 1 January 2009 with the exception of IFRS 5 (effective as of 1 July 2009). The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* IFRS 5 specifies certain disclosures required in respect of discontinued operations and non-current assets held for sale. IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet.
- *IAS 10 Events after the Reporting Period*: Clarification that dividends declared after the end of the reporting period are not obligations.

- IAS 16 *Property, Plant and Equipment*: Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.
- IAS 19 *Employee Benefits*: Revised various terms. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.
- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance*: Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.
- IAS 23 *Borrowing Costs*: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of borrowing costs into one the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

- *IAS 27 Consolidated and Separate Financial Statements*: When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- *IAS 28 Investment in Associates*: If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.
- *IAS 29 Financial Reporting in Hyperinflationary Economies*: Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.
- *IAS 31 Interest in Joint ventures*: If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venture and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- IAS 34 *Interim Financial Reporting*: Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33 IAS 36 *Impairment of Assets*: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.
- IAS 38 *Intangible Assets*: Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities. The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate. IAS 39 *Financial Instruments: Recognition and Measurement*: Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

- IAS 40 *Investment Property*: Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability.

IFRIC 13 Customer Loyalty Programmes

The IFRIC issued IFRIC 13 in June 2007. This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. It will be effective for financial years beginning on or after 1 July 2008.

EU-Endorsement pending

IASB and IFRIC have issued the following standards and interpretations whose adoption was not mandatory for financial years beginning on or after 1 January 2008. These Standards and Interpretations have not been endorsed by the EU so far and are not yet applied by Jerini.

IFRS 1 First-time Adoption of IFRS

A new version of IFRS 1 was issued in November 2008. It retains the substance of the previous version, but within a changed structure. It replaces the previous version of IFRS 1 and is effective for entities applying IFRSs for the first time for annual periods beginning on or after 1 January 2009.

IFRS 3 Business Combinations – Revised

The IASB issued the revised Business Combinations standard in January 2008 which will be effective for financial years beginning on or after 1 July 2009. The standard introduces changes in the accounting for business combinations that will impact the amount of good-will recognized, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 Consolidated and Separate Financial Statements

In January 2008, IAS 27 (revised 2008) Consolidated and Separate Financial Statements was issued. The revised Standard is mandatory for business combinations in annual financial statements beginning on or after 1 July 2009. The revised Standard requires an entity to attribute their share of total comprehensive income to the non controlling interest. Further the standard requires when an investor loses significant influence over an associate, it derecognizes that associate and recognizes in profit or loss the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate at the date significant influence is lost. Transactions that do not result in a loss of significant influence over an associate will be recognized directly in equity. The standard has to be applied prospectively. No consequences result from assets and liabilities derived from transactions prior to the first application of the standard.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item.

IFRIC 12 – Service Concession Arrangements

The IFRIC issued IFRIC 12 in November 2006. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The interpretation has not been endorsed by the EU yet.

IFRIC 15 Agreement for the Construction of Real Estate

IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 17 was issued in November 2008 and becomes effective for annual periods beginning on or after 1 July 2009. The interpretation is to be applied prospectively. The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

IFRIC 18 Transfers of Assets from Customers

IFRIC 18 was issued in January 2009 and must be applied prospectively to transfers of assets from customers received on or after 1 July 2009. Earlier application is permitted provided the valuations and other information needed to apply to the Interpretation to past transfers were obtained at the time those transfers were made. This interpretation is particularly relevant for the utility sector. It clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

The Group has not yet adopted the above-listed pronouncements. Jerini plans to adopt the new or amended Standards and Interpretations as soon as mandatory.

IAS 1 Presentation of Financial Statements

The new standard will influence the presentation of consolidated financial information of Jerini, but will not change disclosure and valuation of assets and liabilities in the consolidated financial statements.

IFRS 8 Operating Segments

The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

No impact on the Group's financial statements is expected to result from the additional pronouncements.

3. Segment Information

The primary segment reporting format is determined to be business segments, as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Reportable segments

The Company was organized based on the products and services that it offers and operated in the life science industry through two reportable segments:

JPH: Jerini AG together with Jerini US, Inc., Jerini Ophthalmic Holding GmbH, Jerini Ophthalmic, Inc., Jerini Beteiligungen GmbH, Jerini Holding Ltd. and Jerini Trading Ltd. and

JPT: JPT Peptide Technologies GmbH together with JPT Peptide Technologies, Inc.

JPH comprises those activities of the Group that focus on the marketing and selling of its first product Firazyr® as well as preclinical programs and comprised indications in ophthalmology.

JPT Peptide Technologies GmbH is a leading provider of innovative peptide-based services and products for a variety of biomedical research purposes. Using its proprietary technologies, JPT supplies customers with a broad spectrum of services ranging from peptide synthesis and high-throughput screening to the production of sophisticated peptide chips and ready-to-use test kits. JPT offers customized tools for exploring protein-protein interactions and identifying new peptide biomarkers.

As discussed in Note 4, the businesses of JPT Peptide Technologies GmbH together with JPT Peptide Technologies, Inc. were held for sale as of December 31, 2008 and therefore JPT ceased to be an operating segment. Furthermore the ophthalmology business represented by Jerini Ophthalmic Holding GmbH and Jerini Ophthalmic, Inc. was held for sale as of December 31, 2008, as discussed in Note 4. Therefore Jerini Ophthalmic Holding GmbH and Jerini Ophthalmic, Inc. ceased to be part of the JPH segment. The historical results of JPT, Jerini Ophthalmic Holding GmbH and Jerini Ophthalmic, Inc. are presented as discontinued operations in the Company's Consolidated Statements of Income for the years ended December 31, 2008 and 2007. Current year segment disclosures exclude the applicable information included in the Company's financial statement presentation.

The organizational changes announced in 2008 are expected to result in divesting JPT and the ophthalmology business in 2009.

Business segments

The following table presents revenue and profit information and certain asset and liability information regarding the Company's business segments for the years ended December 31, 2008 and 2007.

2008 in thousands €	Continued operations			Discontinued operations		Total
	JPH	Elimi- nations	Consoli- dated	JPT	Oph- thalmic business	
Revenues						
External revenues	4,428	–	4,428	5,861	–	10,289
Inter-segment revenues	155	–155	–	–	–	–
Total segment revenues	4,583	–155	4,428	5,861	–	10,289
Segment result	–42,618	–435	–43,053	835	–8,668	–50,886
Taxes	2,444	–	2,444	–	–	2,444
Net finance result	835	–	835	53	36	924
Net result for the year	–39,339	–435	–39,774	888	–8,632	–47,518
Segment assets	14,456	–362	14,094	4,464	1,964	20,522
Segment liabilities	10,593	–362	10,231	804	547	11,582
Capital expenditures	4,547		4,457	713	–	5,260
Depreciation and amortization	1,471		1,471	629	2	2,102
Non-cash expenses other than depreciation and amortization	–752	–	–752	–	–219	–971

2007 in thousands €	Continued operations			Discontinued operations		Total
	JPH	Elimi- nations	Consoli- dated	JPT	Oph- thalmic business	
Revenues						
External revenues	14,222	–	14,222	4,392	–	18,614
Inter-segment revenues	92	–92	–	–	–	–
Total segment revenues	14,314	–92	14,222	4,392	–	18,614
Segment result	–27,128	–504	–27,632	572	–4,104	–31,164
Net finance result	1,965	–	1,965	6	135	2,106
Net result for the year	–25,163	–504	–25,667	578	–3,969	–29,058
Segment assets	41,399	–740	40,659	3,974	1,138	45,771
Segment liabilities	12,578	–740	11,838	1,141	297	13,276
Capital expenditures	650		650	365	14	1,029
Depreciation and amortization	1,435		1,435	496	1	1,932
Non-cash expenses other than depreciation and amortization	–1,187		–1,187	–	–3	–1,190

Geographic information

The Company has a diverse customer base throughout various regions of the world. It sells products to customers and derives revenues from collaboration agreements with partners located in regions including, but not limited to, Europe and the United States of America.

Net revenues are attributable to geographic areas based on the region of destination. The following table shows revenues by region of destination:

Year Ended December 31, 2008 in thousands €	Total	Discon- tinued Operations
USA	4,057	1,533
Germany	1,900	183
European Union (w/o Germany)	3,768	2,712
Other Countries	564	–
	10,289	4,428

Year Ended December 31, 2007 in thousands €	Total	Discon- tinued Operations
USA	13,026	11,202
Germany	1,770	614
European Union (w/o Germany)	3,232	2,406
Other Countries	586	–
	18,614	14,222

Substantially all of the Company's assets are located in Germany except for cash and cash equivalents of the Group's foreign subsidiaries in the amount of T€ 439 (prior year: € 4,200 thousand thereof disposal groups € 1,122 thousand) and some equipment (office supplies) in the amount of € 9 thousand (prior year: € 26 thousand thereof disposal groups € 15 thousand). Capital expenditures outside of Germany amounted to € 15 thousand (prior year: € 26 thousand).

4. Discontinued Operations

On October 9, 2008 Jerini AG and Shire Deutschland Investments GmbH completed the strategic review of the assets and programs of Jerini AG, not related to Icatibant (Firazyr®), as referred to in the Offer Document published by Shire Deutschland Investments GmbH on August 13, 2008. The Jerini Supervisory Board and Management Board concluded on October 9, 2008 that it is in the best interests of Jerini AG to divest the preclinical programs nor related to Firazyr®, Jerini Ophthalmic, Inc., Jerini Ophthalmic Holding GmbH and JPT Peptide Technologies GmbH (JPT) and its subsidiary. As at 31 December 2008, JPT, Jerini Ophthalmic Holding GmbH and Jerini Ophthalmic, Inc. were classified as a disposal group held for sale and as discontinued operations. Preclinical programs were not classified as assets held for sale as they did not meet the criteria of IFRS 5 as of December 31, 2008. Foreign exchange differences directly accounted for in equity relate in the amount of € 26 thousand (2007: € 311 thousand) to discontinued operations.

Jerini Ophthalmic, Inc. and Jerini Ophthalmic Holding GmbH

The results of Jerini Ophthalmic, Inc. and Jerini Ophthalmic Holding GmbH, classified as held for sale and as discontinued operations for the year are presented below:

in thousands €	Year Ended December 31,	
	2008	2007
Revenue	–	–
Other income	–	–
Expenses	–8,668	–4,104
Loss from operations	–8,668	–4,104
Finance result	36	135
Loss from discontinued operations	–8,632	–3,969

The major classes of assets and liabilities of Jerini Ophthalmic, Inc. and Jerini Ophthalmic Holding GmbH, classified as held for sale as at 31 December are as follows:

in thousands €	Year Ended December 31,	
	2008	2007
Assets		
Equipment	11	–
Other assets	10	–
Cash and cash equivalents	1,943	–
Total assets classified as held for sale	1,964	–
Liabilities		
Trade accounts payable	482	–
Other liabilities	65	–
Total liabilities associated with assets classified as held for sale	547	–

The net cash flows incurred by of Jerini Ophthalmic, Inc. and Jerini Ophthalmic Holding GmbH, for the year are presented below:

in thousands €	Year Ended December 31,	
	2008	2007
Operating	-7,779	-3,404
Investing	-	-14
Financing	8,583	-
Net cash inflow (outflow)	804	-3,418

JPT Peptide Technologies GmbH and JPT Peptide Technologies, Inc.

The results of Jerini JPT Peptide Technologies GmbH and JPT Peptide Technologies, Inc., classified as held for sale and as discontinued operations for the year are presented below:

in thousands €	Year Ended December 31,	
	2008	2007
Revenue	5,861	4,392
Other income	321	180
Expenses	-5,347	-4,000
Loss from operations	835	572
Finance result	53	6
Profit from discontinued operations	888	578

The major classes of assets and liabilities of JPT Peptide Technologies GmbH and JPT Peptide Technologies, Inc., classified as held for sale as at 31 December are as follows:

in thousands €	Year Ended December 31,	
	2008	2007
Assets		
Equipment	1,618	-
Inventories	56	-
Trade accounts receivable	375	-
Other financial assets	6	-
Other assets	116	-
Cash and cash equivalents	2,293	-
Total assets	4,464	-
Liabilities		
Trade accounts payable	285	-
Government grants	292	-
Other liabilities	227	-
Total liabilities associated with assets classified as held for sale	804	-

The net cash flows incurred by JPT Peptide Technologies GmbH and JPT Peptide Technologies, Inc. for the year are presented below:

in thousands €	Year Ended December 31,	
	2008	2007
Operating	1,989	1,188
Investing	-713	-408
Financing	-300	-650
Net cash inflow	976	130

5. Revenues and Expenses

Other income

in thousands €	Year Ended December 31,	
	2008	2007
Release of government grants	288	258
Other	205	148
	493	406

Other income consists of foreign exchange differences amounting to € 122 thousand (2007: € 58 thousand).

See Note 18 for a description of unfulfilled conditions and other contingencies attaching to government subsidies that have been recognized.

Cost of product sales

in thousands €	Year Ended December 31,	
	2008	2007
Increase in stocks	101	–
Material expenses	–127	–
Subcontracting fees	–62	–
Other	–15	–
	–103	–

Research and development expenses

in thousands €	Year Ended December 31,	
	2008	2007
Subcontracting fees	–6,748	–8,677
Personnel expenses	–4,859	–4,859
Legal and Consulting expenses	–3,052	–3,948
Material expenses	–1,072	–1,069
Depreciation	–1,064	–1,072
Milestone payments	–	–4,000
Other	–1,002	–2,049
	–17,797	–25,674

General and administrative expenses

in thousands €	Year Ended December 31,	
	2008	2007
Transaction costs	-4,862	-
Change of control expense	-3,533	-
Personnel expenses	-3,657	-3,055
Legal and consulting fees	-2,880	-1,791
Compensation expense	-752	-1,187
Rental expense	-863	-738
Travel expenses	-367	-533
Depreciation and amortization	-332	-304
Public and Investor Relations	-259	-314
IT-consulting fees	-84	-335
Other	-1,792	-776
	-19,381	-9,033

Transaction cost refers to costs incurred with financial advisers in the process of identifying potential buyers and execution of the business combination agreement with Shire. Personnel expense includes milestone bonus payments in the amount of € 400 thousand resulting from the approval of Firazyr® by the EMEA. For a detailed description of the components of the change of control expense please refer to Note 27 to the consolidated financial statements. The increase of legal and consulting fees is mainly due to evaluation and preparation of various refinancing alternatives as well as services received in connection with the business combination agreement with Shire.

Selling and distribution costs

in thousands €	Year Ended December 31,	
	2008	2007
Personnel expenses	-3,154	-1,856
Subcontracting	-2,918	-741
Marketing activities	-2,488	-2,626
Travel expenses	-622	-493
Legal and consulting fees	-562	-1,001
Depreciation and amortization	-75	-59
Other	-734	-643
	-10,553	-7,419

Other expenses

Other expenses consist of foreign exchange differences amounting to € 107 thousand (2007: € 102 thousand), and unallocable banking fees.

Financial income/(cost)

in thousands €	Year Ended December 31,	
	2008	2007
Interest income from money market funds	838	1,967
Interest expense on bank loans	-3	-2
	835	1,965

Personnel-related expenses

During the year 2008, personnel-related expenses consisted of salaries in the amount of € 13,933 thousand (prior year: € 8,557 thousand), benefits in the amount of € 1,270 thousand (prior year: € 1,213 thousand) and share-based compensation in the amount of € 752 thousand (prior year: € 1,187 thousand). Social security contributions include contributions for statutory pension insurance in the amount of € 737 thousand (prior year: € 676 thousand).

6. Loss per share

Basic loss per share amounts are calculated by dividing net loss for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding during the year (adjusted for the effects of dilutive stock options).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

Loss attributable to common shareholders

in thousands €	Year Ended December 31,	
	2008	2007
Net loss from continuing operations	-39,774	-25,667
Net loss from discontinued operations	-7,744	-3,391
Net loss	-47,518	-29,058
Minority interests	-	-44
Net loss attributable to common shareholders of the parent for basic earnings	-47,518	-29,014

Weighted average number of common shares for basic and diluted loss per share

	Year Ended December 31,	
	2008	2007
Weighted average number of common shares	55,610,127	52,481,310

The following securities have been excluded from the computation of loss per share, as the effect would have been antidilutive:

	Year Ended December 31,	
	2008	2007
Antidilutive potential ordinary shares excluded from calculation of loss per share:		
Employee stock option plan	–	1,041,931

To calculate earnings per share amounts for the discontinued operation, the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above. The following table provides the profit figure used:

	Year Ended December 31,	
	2008	2007
Net profit/(loss) attributable to ordinary equity holders of the parent from a discontinued operation for basic and diluted earnings per share calculations	–7,744	–3,391

7. Intangible Assets

December, 31 2008 in thousands €	Patents and Licenses	Self developed compound	Other	Total
Cost				
Balance at January 1, 2008	367	–	53	420
Additions	–	4,000	–	4,000
Balance at December 31, 2008	367	4,000	53	4,420
Amortization				
Balance at January 1, 2008	213	–	38	251
Amortization charge for the year	32	185	13	230
Balance at December 31, 2008	245	185	51	481
Carrying amounts				
At January 1, 2008	154	–	15	169
At December 31, 2008	122	3,815	2	3,939

Dezember, 31 2007 in thousand €	Patents and Licenses	Other	Total
Cost			
Balance at January 1, 2007	367	53	420
Balance at December 31, 2007	367	53	420
Amortization			
Balance at January 1, 2007	180	24	204
Amortization charge for the year	33	14	47
Balance at December 31, 2007	213	38	251
Carrying amounts			
At January 1, 2007	187	29	216
At December 31, 2007	154	15	169

8. Equipment

Dezember, 31 2008 in thousand €	Machinery and equipment	Furniture and fixtures	Software (Hardware- component)	Total
Cost				
Balance at January 1, 2008	9,979	978	1,470	12,427
Additions	984	180	96	1,260
Disposals	-388	-22	-	-410
Reclassification to assets held for sale	-3,358	-135	-91	-3,584
Balance at December 31, 2008	7,217	1,001	1,475	9,693
Depreciation				
Balance at January 1, 2008	6,237	831	1,091	8,159
Depreciation charge for the year	1,442	248	182	1,872
Disposals	-388	-22	-	-410
Reclassification to assets held for sale	-1,812	-69	-74	-1,955
Balance at December 31, 2008	5,479	988	1,199	7,666
Carrying amounts				
At January 1, 2008	3,742	147	379	4,268
At December 31, 2008	1,738	13	276	2,027

Dezember, 31 2007 in thousand €	Machinery and equipment	Furniture and fixtures	Software (Hardware- component)	Total
Cost				
Balance at January 1, 2007	9,316	953	1,198	11,467
Additions	663	94	272	1,029
Disposals	–	–69	–	–69
Balance at December 31, 2007	9,979	978	1,470	12,427
Depreciation				
Balance at January 1, 2007	4,918	607	818	6,343
Depreciation charge for the year	1,319	293	273	1,885
Disposals	–	–69	–	–69
Balance at December 31, 2007	6,237	831	1,091	8,159
Carrying amounts				
At January 1, 2007	4,398	346	380	5,124
At December 31, 2007	3,742	147	379	4,268

9. Inventories

Inventories consist of the following:

in thousands €	Year Ended December 31,	
	2008	2007
Raw materials and supplies (at cost)	856	18
Unfinished goods (at cost)	13	8
Finished goods (at cost)	89	28
	958	54

In prior years raw materials and supplies were used in the production process for custom and catalogue peptides or small molecules. After the approval of Firazyr® by the EMEA in 2008 raw materials and supplies also include pharmaceutical substance, packaging material and syringes.

Finished and unfinished goods consisted in prior years of custom and catalogue peptides or small molecules produced for customers. After the approval of Firazyr® by the EMEA in 2008 unfinished and finished goods also include prefilled syringes and finished Firazyr® product.

10. Trade Accounts Receivable

As of December 31, 2008 and 2007, the Company carried trade receivables in the amount of € 246 thousand and € 837 thousand, respectively, in its accounts. The net book value approximates the fair value due to the short term nature of the asset. It also represents the maximum amount that might be at risk theoretically.

Trade receivables are non-interest bearing and are generally on 30-day terms. In 2008 a bank held a global assignment for receivables amounting to € 264 thousand (2007: € 698 thousand) from the Company.

As at December, 31 2008, trade receivables at nominal value of € 23 thousand (2007: € 7 thousand) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

in thousands €	Year Ended December 31,	
	2008	2007
At January 1,	7	17
Charge for the year	16	–
Unused amounts reversed	–	–10
At December 31,	23	7

As at December 31, 2008, the ageing analysis of trade receivables is as follows:

in thousands €	Total	Neither past due nor impaired	Past due and not impaired				
			< 30 days	30–60 days	60–90 days	90–120 days	> 120 days
2008	246	134	72	2	6	–	32
2007	837	444	263	65	23	26	16

11. Other Current Assets

Other current assets consist of the following:

in thousands €	Year Ended December 31,	
	2008	2007
VAT	293	263
Prepaid Expense	198	243
Refund foreign VAT	52	38
Investment grant receivables	116	100
	659	644

Prepaid expenses consist of prepaid annual fees for insurance and service contracts, which are deferred over the term of respective agreements. All prepaid expenses are short term in nature.

VAT ("Value added tax") reflects claims of the Company against local tax authorities for VAT on services received. The net amount of VAT receivable and VAT payable is non-interest bearing and is remitted to the appropriate taxation authorities on a monthly basis.

12. Capital Interest Tax Receivable

The Company earned interest on its money market funds and earns interest on its short-term deposits. Respective financial institutions are required to withhold capital interest tax from these earnings. As the Company produced a net loss in the years ended December 31, 2008 and 2007, withheld capital interest tax was refundable in the amount of € 974 thousand and € 1,428 thousand, respectively.

13. Other Financial Assets

Other financial assets are non-interest bearing and consist of the following:

in thousands €	Year Ended December 31,	
	2008	2007
Receivable from Shire Deutschland Investments GmbH	126	–
Suppliers with debit balances	45	121
Rent deposits	56	–
Receivable from R&D projects	8	49
Other	11	21
	246	191

The net book value approximates the fair value due to the short term nature of the asset. It also represents the maximum amount that might be at risk theoretically. All other financial assets are neither past due nor impaired.

14. Cash and Cash Equivalents

Cash and cash equivalents consist of the following components:

in thousands €	Year Ended December 31,	
	2008	2007
Cash at bank and on hand	2,353	37,695
Cash in transit	-25	212
Cash and cash equivalents	2,328	37,907
Restricted cash for lease deposits	273	273
	2,601	38,180

Cash at bank of which 85.8 percent (prior year: 88.0 percent) are denominated in euro and 14.2 percent (prior year: 12.0 percent) are denominated in US-\$ earns interest with the weighted average of the EONIA minus 48 basis points per year. Money market funds earned interest at floating rates based on daily bank deposit rates and could be sold at any time depending on the immediate cash requirements of the Company. Restricted cash for lease deposits earns interest at the respective monthly deposit rates. The net book value approximates the fair value due to the short term nature of the asset. It also represents the maximum amount that might be at risk theoretically. As of December 31, 2008 and 2007 the Company had unutilized credit lines with banks in the amount of € 100 thousand.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

in thousands €	Year Ended December 31,	
	2008	2007
Cash at bank and on hand	2,353	37,695
Cash in transit	-25	212
Cash at banks and on hand attributable to disposal groups held for sale	4,236	-
Cash and cash equivalents in the consolidated statements of cash flows	6,564	37,907

15. Shareholders' Equity

Common shares

At December 31, 2008 and 2007, the Company had 58,942,179 and 52,534,705 common shares authorized and outstanding.

Pursuant to a shareholders' resolution adopted on June 13, 2007, Management Board resolved with the consent of the Supervisory Board to increase Jerini AG's share capital by issuing 5,229,747 new shares of Jerini AG against payment in cash, under the exclusion of pre-emption rights of the shareholders. Shares were issued out of Authorized Capital 2005/II, which resulted in an increase of share capital of € 5,230 thousand on July 7, 2008.

As a result of the exercise of stock options, 1,177,727 no par value ordinary bearer shares have been issued out of authorized capital 2002, 2005/I, and 2005/II. Consequently, common shares increased by € 1,177 thousand.

As of December 31, 2008 common share capital amounts to € 58,942 thousand consisting of 58,942,179 no par value ordinary bearer shares.

Pursuant to a shareholders' resolution adopted on June 26, 2008 and June 13, 2007 the shareholders' resolution from June 30, 2006 has been cancelled and management has been authorized to acquire and use treasury shares under certain conditions in the amount of 10.0 percent of the share capital in existence at June 26, 2008 for purposes other than trading own shares. The authorization terminates on December 25, 2009 and may be exercised in once or on several occasions either in full or in parts thereof. The acquisition of treasury shares by group companies as well as third parties on account of Jerini or group companies is permitted.

Authorized Capital

The shareholders adopted a resolution on June 26, 2008 to increase, prolongate and amend Authorized Capital 2005/II with the possibility to exclude the subscription right and to amend Sec. 6 Para. 5 of the Articles of Association. Authorized capital 2005/II has been increased to € 26,267,352.00. The term of the newly Authorized Capital 2005/II was prolonged until June 26, 2013. The issuance of shares out of Authorized Capital 2005/II to distribution and collaboration partners excluding the shareholders' subscription right according to Sec. 6 Para. 5 of the articles of association is permitted at the occurrence of conclusion, implementation, amendment and termination of a partnership. The term of the authorization ends on June 25, 2013.

Conditional Capital

Conditional capital amounted to a total of € 24,728 thousand and € 5,169 thousand as of December 31, 2008 and December 31, 2007, respectively. Conditional capital was created pursuant to shareholders' resolutions to satisfy grants under the Company's stock option plans.

Pursuant to a resolution adopted at the shareholders' meeting on June 26, 2008 and the exercise of stock options conditional capital 2002/I decreased to to € 384 thousand, conditional capital 2005/I decreased to € 1,403 thousand and conditional capital 2005/II decreased to € 97 thousand.

Furthermore pursuant to a shareholders' resolution adopted on June 26, 2008, conditional capital 2006/I was increased to of € 2,831 thousand in connection with 2006/I stock option plan (plan 2006/I).

Under plan 2006/I the stock options may be issued solely to members of the Management Board of the Company, employees of the Company, managers of affiliates, and employees of affiliates according to the shareholders resolution dated June 30, 2006, June 13, 2007 and June 26, 2008. Of this amount, up to 1,217,952 stock options are intended for Management Board members of the Company, up to 1,369,701 stock options are intended for employees of the Company, up to 121,738 stock options are intended for managers of affiliates and up to 121,739 stock options are intended for employees of affiliates. The stock options expire five years after the grant date.

At the shareholders' meeting on June 26, 2008 shareholders resolved to increase conditional capital pursuant to § 192 Para. 2 no. 1 of the German Stock Corporation Act by up to € 21,013,000.00 and amended Para. 6 of the Articles of Association accordingly (Conditional capital 2008/I). According to the resolution Management is authorized to issue pursuant to § 221 of the German Stock Corporation Act convertible bonds and/or option bonds with a nominal value of up to € 100,000,000.00 with the possibility to exclude subscription rights or to issue:

- convertible bonds and/or option bonds until the end of June 25, 2013 with a nominal value of up to € 100,000,000.00 and a term of up to 15 years
- convertible bonds and/or option bonds to entitle to the subscription of up to 21,013,000 shares of common stock
- convertible bonds and/or option bonds with a possible mandatory conversion
- convertible bonds/option bonds also issuable by subsidiaries of the Company

If issued the convertible bonds/option bonds had a conversion rate as follows:

130 percent of arithmetical average of the volume weighted daily stock prices of the Company on XETRA during the last 10 stock trading days before the resolution of the Management Board on the issuance of the convertible bonds/option bonds. In the case of a bookbuilding, average of stock trading days between the beginning of the bookbuilding and the determination of the price for the convertible bonds/option bonds. In the case of subscription rights offer, average of stock trading days during the subscription period with the exception of the three stock trading days before the end of the subscription period. Sec. 9 Para. 1 and Sec. 199 Para. 2 AktG are to be considered.

Subscription right of the shareholders as to convertible bonds and/or option bonds may be excluded for purposes of (a) avoidance of fractional amounts, (b) dilution protection for convertible bonds and/or option bonds, (c) issuance of convertible bonds and/or option bonds to distribution or cooperation partners or (d) issuance of convertible bonds and/or option bonds not exceeding 10 percent of the share capital at a price not substantially short of fair market value of convertible bond/option bond.

The resolutions from the shareholders' meeting dated June 26, 2008 were registered with the commercial register of the local court at Berlin-Charlottenburg on July 28, 2008.

Additional paid in capital

Payments to additional paid in capital according to Sec. 272 Para. 2 Nr. 1 HGB in the amount of € 521 thousand and € 56 thousand were received in 2008 and 2007 as a result of the exercise of 1,177,727 and 76,234 employee stock options, respectively. Furthermore € 15,689 thousand were paid to additional paid in capital according to Sec. 272 Para. 2 Nr. 1 HGB as a result of the issuance of 5,229,747 shares to Shire Deutschland Investments GmbH on July 7, 2008.

As of December 31, 2008 and 2007 additional paid in capital comprised as follows:

in thousands €	Year Ended December 31,	
	2008	2007
Sec. 272 Para. 2 nr. 1 HGB (restricted capital reserve)	59,081	42,871
Sec. 272 Para. 2 nr. 4 HGB (free capital reserve)	25,516	25,516
Compensation expense stock options	4,949	3,978
	89,546	72,365

According to Sec. 150 Para. 2 AktG an amount equal to 10 percent of the Company's registered capital cannot be distributed to shareholders. The remainder of € 53,173 thousand (prior year: € 38,584 thousand) of the restricted capital reserve according to Sec. 272 Para. 2 Nr. 1 HGB is subject to the restrictions according to Sec. 150 Para. 4 AktG and the measures described herein.

Capital reserve for effects of foreign exchange differences

The capital reserve for effects of foreign exchange differences accounts for the effect of changes in foreign exchange rates arising from the translation of foreign subsidiaries' financial statements. It is also used to record the effect of hedging net investments in foreign operations.

Retained loss

The position comprises net loss for the year, the revaluation reserve resulting from the first time adoption of IFRS and cumulated net loss carry forwards from prior years. The revaluation reserve amounts to minus € 14,678 thousand.

16. Share-based Compensation

Jerini AG

Description of Stock Option Plans

During the year ended December 31, 2002, the shareholders authorized management to grant a maximum of 1,408,209 stock options to employees and other key individuals who perform services for the Company under a stock option plan (2002 plan). The options have been issued with a strike price equivalent to the common stock's fair market value at the date of grant and generally have a life of ten years. No options were granted during the years ended December 31, 2008 and 2007 under the plans.

During the year ended December 31, 2005, the shareholders authorized management to grant a maximum of 1,641,294 stock options to employees under the stock option plans (2005/I plan, 2005/II plan). During the years ended December 31, 2007 20,901 options had been granted under the plans. No options were granted during the year ended December 31, 2008 under the plans.

During the year ended December 31, 2006 management was authorized to grant a maximum of 2,324,426 stock options to members of management, employees of the Company as well as managers and employees of affiliated companies under a new plan 2006/I. During the year ended December 31, 2007 227,390 stock options were granted under the 2006/I plan and none during the year ended December 31, 2008.

As a result of the cancellation of a total of 2,187,099 stock options under the 2002 plan, the 2005/I plan, the 2005/II plan and the 2006/I plan additional compensation in the amount of € 105 thousand was expensed in the year ended December 31, 2008.

Stock option forfeitures as a result of employee exits as of December 31, 2008 amounted to 4, 2,017, 834 and 43,619 under the stock option plans 2002, 2005/I, 2005/II and 2006/I, respectively.

Stock option forfeitures as a result of employee exits as of December 31, 2007 amounted to 33,334, 25,567, 19,343 and 10,837 under the stock option plans 2002, 2005/I, 2005/II and 2006/I, respectively.

Vesting conditions

The option-vesting periods under the 2002, 2005/I, and 2005/II plans ranged between immediate vesting to three years. Stock options under the 2006/I plan vested after two years.

Compensation expense was recognized over the vesting period.

Exercise of options under the plans 2002, 2005/I, and 2005/II plans issued before an initial public offering was subject to a minimum stock price of € 3.16. The exercise of stock options issued under the plans after an initial public offering was subject to a stock price performance of 5 percent since the grant date. Cash settlement of the options was excluded.

Each stock option entitled the holder to subscribe for one ordinary share in Jerini AG in exchange for payment of the strike price. The strike price was equal to the value of one Jerini AG share on the issuance day (day of submission of an offer to conclude an option agreement or other point in time determined in the offer). The value was to be calculated pursuant to the weighted average of the closing quotations of one share of the Company on XETRA (or a comparable successor system) during the last 30 stock trading days prior to the issuance day.

The stock options of the 2006/I plan might have been exercised only upon achievement of the following targets and in the following amounts:

Targets I:

Each stock option holder may have exercised up to 50 percent of the stock options if the stock price of the Company's share had increased during the two-year period following the issuance day (Reference Period I) by at least 5 percent.

Each stock option holder may have exercised up to 60 percent of the stock options if the stock price of the Company's share had increased during the Reference Period I by at least 10 percent.

Each stock option holder may have exercised up to 80 percent of the stock options if the stock price of the Company's share had increased during the Reference Period I by at least 15 percent.

Each stock option holder may have exercised up to 100 percent of the stock options if the stock price of the Company's share had increased during the Reference Period I by at least 20 percent.

Targets II:

If no target I had been achieved, stock options may have, however, been exercised in the following amounts upon achievement of the following targets II:

Each stock option holder may have exercised up to 50 percent of the stock options if the stock price of the Company's share had increased during the three-year period following the issuance day (Reference Period II) by at least 7.5 percent.

Each stock option holder may have exercised up to 60 percent of the stock options if the stock price of the Company's share had increased during the Reference Period II by at least 15 percent.

Each stock option holder may have exercised up to 80 percent of the stock options if the stock price of the Company's share had increased during the Reference Period II by at least 22.5 percent.

Each stock option holder may have exercised up to 100 percent of the stock options if the stock price of the Company's share had increased during the Reference Period II by at least 30 percent.

If both a target I and a target II had been achieved, then – in addition to the number of exercisable shares accruing from the achievement of target I – additional stock options may have been exercised in the amount by which the number of exercisable stock options accruing from the achievement of target II exceeded, as the case may have been, the number of exercisable stock options accruing from the achievement of target I.

For purposes of determining the increase of the stock price of the Company's share, the stock price on the issuance day was compared with the stock price on the day after expiration of Reference Period I or II respectively. The stock price on the issuance day and the stock price on the day after expiration of the Reference Period I or II, respectively (in each case: cut-off date), was calculated as the weighted average of the closing quotations of one share of the Company on XETRA (or a comparable successor system) during the last 30 stock trading days prior to the cut-off date.

Development of stock options

The granted, exercised, forfeited and expired employee stock options and their weighted average exercise price were as follows:

	Stock Options	Exercise Price in €
Outstanding on January 1, 2007	3,328,324	2.69
Returned	248,291	3.62
Granted	76,234	1.74
Forfeited	89,081	2.67
Outstanding on December 31, 2007	3,411,300	2.78
Exercisable on December 31, 2007	1,854,360	1.59
Shares available on December 31, 2007 for options that may be granted	1,757,746	–
Outstanding on January 1, 2008	3,411,300	2.78
Exercised	1,177,727	2.13
Cancelled	2,187,099	3.47
Forfeited	46,474	3.97
Outstanding on December 31, 2008	–	–
Exercisable on December 31, 2008	–	–
Shares available on December 31, 2008 for options that may be granted	–	–

At December 31, 2007 the Company's stock options had a weighted-average exercise price of € 2.78 and a weighted average remaining life of 5.5 years. Exercise prices ranged from € 1.00 to € 4.72 per share.

The fair values related to stock options granted in 2007 under the 2005/I and 2005/II plans were based on a Black-Scholes model using the following assumptions:

Stock option plan 2005/I and 2005/II:	2007
Expected dividend yield	0%
Risk-free interest rate	4.3%
Expected life	2–3 years
Volatility	39%

The fair values related to stock options under the 2006/I Plan were based on a Monte-Carlo simulation using the following assumptions:

	2007
Expected dividend yield	0%
Risk-free interest rate	4.3%
Expected life	2–3 years
Volatility	39%

In prior years volatility had been set using historical stock quotations of peer group companies.

The valuation of the stock options under the 2006 Plan was based on the Monte-Carlo simulation, not on the Black-Scholes model like the other stock option plans, because the targets of the stock option plan 2006 could not be included in the Black-Scholes model.

During the year 2008 all stock option plans were cancelled as a result of the acquisition of the majority of shares by Shire Deutschland Investments GmbH. Compensation expense from the acceleration of vesting in the amount of € 105 thousand was recognized as a result.

Share-based compensation of discontinued operations

Jerini Ophthalmic, Inc,

Description of Stock Option Plans

During the year ended December 31, 2007, the board of directors of Jerini Ophthalmic, Inc. adopted the Jerini Ophthalmic, Inc. 2007 stock option plan (plan). Pursuant to the resolution 3,320,000 shares of Jerini Ophthalmic, Inc. were reserved and put aside for issuance as restricted stock or as stock options to board members, employees and other key individuals who perform services for the Company under the plan. The shareholders have ratified the resolution on April 5, 2007.

The strike price of the options shall not be below the common stock's fair market value at the date of grant and generally have a life of ten years.

During the years ended December 31, 2008 and 2007 2,109,000 and 100,000 options were granted under the plan.

Of the 2,109,000 stock options granted in the year ended December 31, 2008, 600,000 have an additional payment commitment from Jerini Ophthalmic, Inc. amounting to USD 0.66 per stock option. The additional payment commitments are recorded as expenditures over the vesting period of the stock options and shown as other liabilities on the balance sheet.

Vesting conditions

The options vest over four years after the grant date. 25 percent of the options vest during the first year after the grant date. The remaining 75 percent vest monthly over the remaining three years.

Stock options are exercisable in exchange for payment of the strike price at dates specified in the employees' stock option agreements.

Compensation expense is recognized over the vesting period.

Development of stock options

The granted employee stock options and their weighted average exercise price were as follows:

	Stock Options	Exercise Price in USD
Outstanding on January 1, 2007	–	–
Granted	100,000	0.05
Outstanding on December 31, 2007	100,000	0.05
Exercisable at December 31, 2007	–	–
Shares available on December 31, 2007 for options that may be granted	3,220,000	–
Outstanding on January 1, 2008	100,000	0.05
Granted	2,109,000	0.71
Outstanding on December 31, 2008	2,209,000	0.68
Exercisable at December 31, 2008	–	–
Shares available on December 31, 2008 for options that may be granted	1,111,000	–

At December 31, 2008 the Jerini Ophthalmic, Inc. stock options have a weighted-average exercise price of USD 0.71 and a weighted average remaining life of 9.16 years. The exercise price is USD 0.05 per share for options granted in 2007 and USD 0.71 per share for options granted in 2008.

At December 31, 2007 the Jerini Ophthalmic, Inc. stock options had a weighted-average exercise price of USD 0.05 and a weighted average remaining life of 9.88 years. The exercise price is USD 0.05 per share.

The fair value related to stock options under plan is based on a Black-Scholes model using the following assumptions:

Stock option plan	2008	2007
Expected dividend yield	0%	0%
Risk-free interest rate	4.15%	4.03%
Expected life	3 years	3 years
Volatility	50%	50%

Volatility has been set using historical stock quotations of peer group companies.

Compensation expense in the amount of € 207 thousand was recognized in 2008 under the plan.

17. Bank Loans

The bank loan in 2007 in the amount of € 300 thousands was interest bearing at variable rates, 3 month-EURIBOR plus 1.40 percent margin, and was repaid in 2008. Variable interest rates were adjusted quarterly. The net book value approximated the fair value of the loan as of December 31, 2007. During the years ended December 31, 2008 and 2007, bank loans were fully secured by assets pledged under the loans (Cash at bank for assumed bank securities in the amount of € 332 thousand) and a global assignment of all trade receivables.

18. Government Grants

During the years ended December 31, 2008 and 2007, the Company applied for investment grants in accordance with the German tax provisions for federal investments grants (Investitionszulagengesetz). The Investitionszulagengesetz limits grants to a percentage of eligible capital expenditures. Grants totaling approximately € 157 thousand and € 493 thousand related to qualifying expenditures during the years ended December 31, 2008 and 2007, respectively, have been deferred in a special account and are released to income over the useful life of respective assets.

At December 31, 2008, and 2007, the Company had approximately € 43 thousand and € 73 thousand receivable under the grants according to the Investitionszulagengesetz, respectively.

Under the terms of the Investitionszulagengesetz, the Company is obligated to fulfill certain requirements. The Company is obligated to utilize the assets acquired with the grant proceeds in its business for a period of five years. If the economic lives of the assets purchased are shorter than five years, then the assets must remain in use over the course of their economic lives. If the requirements of Investitionszulagengesetz are not fulfilled, the Company could be required to refund amounts previously granted.

At December 31, 2008 and 2007 the Company had approximately € 64 thousand and € 27 thousand receivable, respectively, under the grants awarded by Investitionsbank Berlin. Grants totaling approximately € 268 thousand and € 504 thousand related to qualifying capital expenditures during the years ended December 31, 2008 and 2007, respectively, have been deferred in a special account and are released to income over the useful life of respective assets.

In connection with these grants, there are additional requirements that the Company must meet. The Company must hire 39 additional full-time employees since the year 2000 until the end of the subsidized period in 2009, 20 of whom must be women. Such full-time employment must be maintained for a period specified under the terms of the grants. In addition, the assets purchased with these investment grants must remain in use in Berlin, Germany for a minimum period. If the Company fails to meet the terms of the grant, the grants received, plus interest, may have to be refunded.

Grants received in accordance with the Investitionszulagengesetz and grants received from Investitionsbank Berlin for the years ended December 31, 2008 and 2007 were € 0 thousand and € 537 thousand, respectively.

In prior years the Company recognized all amounts under the grants as no conditions existed that might have indicated that the Company would not be able to meet the requirements of the grant. As of December 31, 2008 the Company set up an appropriate allowance in the amount of € 130 thousand to reserve for a possible repayment of grants awarded.

19. Trade Accounts Payable

The following table shows the composition of trade accounts payable:

in thousands €	Year Ended December 31,	
	2008	2007
Milestone liabilities	4,760	4,570
Other trade accounts payable	2,866	5,072
	7,626	9,642
Thereof long term	–	31

All accrued liabilities are expected to be due in less than twelve months after the balance sheet date. The carrying amount of trade payables is considered to approximate their fair value.

20. Other Liabilities

The following table shows the composition of other liabilities at year end:

in thousands €	Year Ended December 31,	
	2008	2007
Severance pay for terminated employees	678	–
Bonus payments to employees	156	545
Wage tax and other non-financial liabilities	516	542
Accrued employee related costs and benefits	206	331
	1,556	1,418

All other liabilities are expected to be due in less than twelve months after the balance sheet date except for additional payment commitments in connection with the grant of options. Additional disclosures can be found in Note 16.

21. Provisions

Provisions developed as follows:

in thousands €	Other Accruals
Balance at January 1, 2008	8
Utilized	4
Released	4
Additions	130
Balance at December 31, 2008	130

All provisions are expected to have a term of less than one year. Other accruals consist of provisions for potential repayment of public grants received in prior years.

22. Income Taxes

According to German tax provisions in years of tax profits any tax loss carry forward can fully be used up to an amount of € 1 million. Any excess tax profit will be reduced with remaining tax loss carry forwards by 60 percent. Thus, 40 percent of all tax profits exceeding € 1 million will be subject to taxation.

Deferred taxes of German companies were calculated with a combined income tax rate charge of 38.65 percent for the year ended December 31, 2007. As a result of the Corporation tax reform law 2008 (Unternehmensteuerreformgesetz 2008) corporation tax applicable to domestic companies decreased to 15.00 percent for fiscal years starting in 2008 while the average trade tax rate increased slightly to 15.10 percent. Therefore, at year end December 31, 2007, deferred taxes of German companies were calculated with a combined income tax rate of 30.18 percent (2007: 38.65 percent) including solidarity charge. No tax benefit or expense resulted from the decrease in the German tax rate for the year ended December 31, 2007. The applicable tax rates employed for companies outside Germany range from 4.15 percent to 36.50 percent.

Net operating loss carry forwards are subject to review and possible adjustment by the German tax authorities. Furthermore, under current German tax laws, certain substantial changes in the Company's ownership and business may further limit the amount of net operating loss carry forwards, which could be utilized annually to offset future taxable income. Accumulated net operating loss carry forwards of the German operations up to the date of Shire gaining control over Jerini on August 3, 2008 have been forfeited.

Deferred tax assets and liabilities are offset if they pertain to future tax effects for the same taxable entity towards the same taxation authority. No income taxes were paid in the years ended December 31, 2008 and 2007. No deferred income tax was expensed through the income statement in the years ended December 31, 2008 and 2007. A deferred tax asset was recognized through the income statement in the year ended December 31, 2008 and none for the year ended December 31, 2007.

Jerini has tax losses of € 21,605 thousand which arose in Germany in the period from August 3, 2008 to December 31, 2008 that are available indefinitely for offset against future taxable profits of Jerini AG.

During the year to December 31, 2008 Jerini has capitalized tax assets arising from unused tax losses in Germany. On October 9, 2008 Jerini announced its decision to divest of JPT, its preclinical programs and its ophthalmology business. The preclinical programs and the ophthalmology business have contributed significantly to Jerini's unused tax losses, which arose during the period August 3, 2008 to December 31, 2008. With the anticipated divestment of these assets, it is expected that Jerini would reduce the level of its expenses. Furthermore, in 2008 Jerini incurred significant expenses with regard to corporate transactions, and it is not expected that these expenses will recur in the future.

During 2008 Jerini commenced the commercialization of Firazyr®, and has already received various pricing and reimbursement notifications throughout the EU for the product, which Jerini will commercialise together with the utilization of Shires sales capacities. Given the commercialization of Firazyr® and the expected divestment of certain non-core businesses, at December 31, 2008 Jerini AG as a German tax subject considers it more likely than not that it would fully utilize all of its net operating loss carry forwards.

Deferred tax assets have not been recognized in respect of losses of € 15,619 thousand (2007: € 13,928 thousand) attributable to foreign business activities as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that may not be able to use the tax losses due to regulatory and legislative uncertainties.

Major components of income tax for the years ended December 31, 2008 and 2007 are as follows:

in %	Year Ended December 31,	
	2008	2007
Tax rate attributable to profit before tax from continuing operations	-25.26	-38.65
Tax rate attributable to profit before tax from discontinued operations	-4.92	-
German statutory tax rate	-30.18	-38.65
Forfeiture of current year losses	9.14	-
Forfeiture of tax loss carry forward (including amounts offset with deferred tax liabilities)	9.43	43.16
Forfeiture of German tax loss carry forward previously capitalized due to change of control	5.85	-
Not capitalized deferred tax asset on temporary differences	-	18.31
Reversal of differences from previous years for which no deferred tax assets were capitalized	4.06	-9.26
Offset of deferred tax assets of German tax losses carried forward with deferred tax liabilities	-	-12.89
Effects of permanent differences	0.52	1.34
Other	-3.71	-2.01
Income tax reported in consolidated income statement	-4.89	-
Thereof attributable to discontinued operations	-	-

As a result of the negative loss before taxes the applicable tax rate is negative (profit from taxes).

Unutilized loss carry forwards that were not capitalized: in thousands €	Year Ended December 31,	
	2008	2007
Income tax loss carry forwards	30,022	57,542

Deferred tax liabilities and assets are comprised of the following:

in thousands €	Year Ended December 31,	
	2008	2007
Deferred tax assets:		
Net operating loss carry forwards	6,519	2,924
Deferred tax liabilities:		
Consolidation of liabilities	-2,924	-2,924
Capitalization milestone payment	-1,151	-
Net deferred taxes	2,444	-

The Company has temporary differences as described below. The realization of these amounts is dependent upon future taxable income.

in thousands €	Year Ended December 31,	
	2008	2007
Deferred revenues	45	116
Intangible assets	12,466	18,964
Other	-	156
Total	12,511	19,236

US subsidiaries have federal and state tax loss carryforwards in the amount of € 29,080 thousand (prior year: € 14,372 thousand). Maltese subsidiaries have tax loss carryforwards in the amount of € 942 thousand (prior year: € 31 thousand).

US tax losses can be carried back for 2 years and forward for 20 years. There are no limitations with regard to Maltese tax losses.

23. Collaboration Agreements

Baxter AG

The Company performs research and development for Baxter AG relating to the development, identification, and optimization of a lead structure in an undisclosed target. In 2006, the collaboration with Baxter AG was expanded by two new projects.

Alcon Research Ltd,

In December 2004, Jerini AG entered into a four-year agreement with Alcon Research Ltd. to perform research and development to identify and generate compounds directed at the collaboration target as well as to assess the in vitro activity of such compounds with respect to the applicable target.

Kos Life Sciences, Inc.,

On November 7, 2005, Kos Life Sciences, Inc., a subsidiary of Kos Pharmaceuticals, Inc. and Jerini US Inc., signed an exclusive agreement for the development, marketing, and distribution of Jerini's compound Icatibant in the United States and Canada. The strategic partnership included an upfront licensing payment, which has been deferred over a period of two years. On November 6, 2006 Kos Pharmaceuticals, Inc. was acquired by Abbott, Inc. Since then Kos Pharmaceuticals, Inc. and its subsidiaries are part of the Abbott Group.

On September 4, 2007, Abbott and Jerini US, Inc. entered a termination agreement which was made effective on September 17, 2007. Through the termination agreement, Jerini regained the commercialization rights to Icatibant for the treatment of HAE in North America. As part of the termination agreement, Abbott paid Jerini US, Inc. an undisclosed amount and Jerini US, Inc. will pay Abbott royalties on Icatibant's North American sales for the first 24 months following product launch.

The termination agreement resulted in 2007 in an increase of revenues from collaboration agreements, due to the payment from Abbott to Jerini US, Inc. Furthermore the on-time upfront payment that Jerini received from Kos in November 2005, which was deferred until April 2008, was released to revenue completely (€ 2.4 million) in 2007.

24. Notes to the Cash Flow Statement

Non-cash Operating Activity

As a result of stock option grants, additions to additional paid-in capital in the amount of € 971 thousand (prior year: € 1,190 thousand) have been eliminated in cash flow from operating activities.

Capitalization of milestone payments in the amount of € 4,000 thousand as an intangible asset have been excluded from investing activities as payment is due in 2009.

25. Commitments and Contingencies

The Company is subject to various claims that arise in the ordinary course of business. Based on all the facts available to management, the Company believes that the ultimate resolution of these claims would not likely have a material adverse effect on the results of its operations, financial position or liquidity, although no assurances can be given with respect to the ultimate outcome of such claim or litigation.

With regard to an amendment of the license agreement with sanofi-aventis dated November 28, 2007 the Company is required to make payments of € 4.0 million in total upon obtaining marketing approval by the FDA for the first product. If the Company grants a sublicense of the sanofi-aventis license to a third party for the USA or Japan before the grant of the market approval for the United States, the Company is obligated to pay sanofi-aventis 20 percent of any payments which Jerini receives from any third party during the term of the agreement. If Jerini grants a sublicense of the sanofi-aventis license to a third party for the USA or Japan after the grant of the market approval for the United States, the Company is obligated to pay sanofi-aventis 10 percent of any payments which Jerini receives from any third party during the term of the agreement. In case Jerini enters into any sublicense with a third party relating to the licensed technology which is applicable to the United States and/or Japan and also other countries of the world, Jerini shall pay to sanofi-aventis that portion of the 20 percent additional remuneration or the 10 percent additional remuneration, as applicable, which corresponds to the reasonably anticipated economic value of the United States and/or Japan for the commercialization of the sublicensed product only. In addition, Jerini is obligated to pay royalties in the amount of up to 12 percent of the net sales of Icatibant worldwide.

The Company leases certain office space, equipment and cars under various non-cancelable operating leases with third parties. The lease agreements with third parties expire at various dates through 2011. Jerini AG was required to provide cash collateral in the amount of € 273 thousand (prior year: € 273 thousand), which is included in cash on the Company's consolidated balance sheets. Rent expense under these operating leases totaled € 1,050 thousand and € 1,173 thousand for the years ended December 31, 2008 and 2007, respectively.

Rental agreements for office space include preset rent increase for which € 65 thousand had been deferred in prior years. An amount of € 24 thousand had been released to income in 2008 and € 10 thousand in 2007.

Future minimum payments under non-cancelable operating leases with initial terms exceeding one year at December 31, 2008, and in the aggregate, are as follows:

in thousand €	2009	2010	2011	2012	2013	There-after	Total
Operating Leases	1,160	846	101	–	–	–	2,107

Prior year amounts disclosed were as follows:

in thousand €	2008	2009	2010	2011	2012	There-after	Total
Operating Leases	723	614	292	2	–	–	1,631

26. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans, cash money market funds, and short-term deposits. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial instruments, such as trade debtors and trade creditors, as well as other current non-interest bearing assets, which arise directly from its operations.

The Company places its excess available funds during the year in money market funds seeking to ensure both liquidity and security of principal in accordance with Company policy. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks, as summarized below.

Credit risk

The Company's accounts receivables' are unsecured and the Company is at risk to the extent such amounts become uncollectible. The Company has historically not experienced substantial losses related to individual customers or groups of customers.

During the year ended December 31, 2008, the Company derived revenues from collaboration agreements of 24.4 percent and 14.9 percent from two collaboration partners and customers. At December 31, 2008, no amount was outstanding from these two customers.

During the year ended December 31, 2007, the Company derived revenues from collaboration agreements of 50.0 percent, 13.4 percent and 10.2 percent from three collaboration partners and customers. At December 31, 2007, there was an amount of € 137 thousand outstanding from these three customers.

Foreign currency risk

As a result of increasing business activities with the United States, the Company's balance sheet can be affected significantly by movements in the USD/Euro exchange rates. A limited number of transactions denominated in foreign currency have been hedged so far to minimize a foreign currency risk. These transactions are generally short term in nature, thus the Company's exposure to currency risk was immaterial in the past.

Jerini conducts business in countries outside the eurozone and is therefore subjected to foreign exchange risks. A majority of the business is currently conducted in the eurozone. Future business will to a higher extent be conducted in other currencies, namely the US-dollar and pound sterling. Jerini is aware of the foreign exchange risks and investigates with every foreign exchange related transaction if a corresponding hedge is favorable and necessary.

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax.

in thousand €	Increase/decrease in USD rate	Effect on profit before tax
2008	+ 10%	12
	- 10%	-9
2007	+ 10%	10
	- 10%	-20

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash forecast. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations. Jerinis' objective is to maintain a balance between continuity of funding and flexibility through the use of intercompany loans.

Due to the low amount of cash and cash equivalents as of December 31, 2008 Jerini is depending on its parent company to provide liquid funds on an ongoing basis. Thus, Jerini monitors actively its liquidity needs to stay solvent whilst maintaining interest expense with regard to the loans at a low level. For further information please refer to Note 28.

The table below summarizes the maturity profile of the Group's financial liabilities at December 31, 2008 and 2007 based on contractual undiscounted payments.

Year ended December 31, 2008 in thousands €	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade accounts payable	–	2,843	4,783	–	–	7,626

Year ended December 31, 2008 in thousands €	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade accounts payable	–	5,025	4,586	33	–	9,644
Bank loans	–	51	154	108	–	313
	–	5,076	4,740	141	–	9,957

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business.

in thousands €	Year Ended December 31,	
	2008	2007
Equity	8,940	32,495
Total capital	20,522	45,771
Equity ratio	43.56	70.99

The main focus of Jerini is on liquidity risk, not on capital management.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments.

in thousands €	Carrying amount		Fair Value	
	2008	2007	2008	2007
Financial assets				
Trade accounts receivable (loans and receivables)	246	837	246	837
Other financial assets (loans and receivables)	246	191	246	191
Cash and cash equivalents (loans and receivables)	2,601	38,180	2,601	38,180
Financial liabilities				
Floating rate borrowings (financial liabilities at amortized costs)	–	300	–	300
Trade accounts payable (financial liabilities at amortized costs)	7,626	9,642	7,626	9,642

In 2007 the net book value approximated the fair value of the floating rate borrowings.

Net Gains and Losses

The following table shows net gains and losses of financial instruments recognized in the financial statements:

in thousands €	2008	2007
Loans and receivables	845	2,106
Financial liabilities	24	-79

27. Related Parties and Total Remuneration of the Management and Supervisory Board

As of December 31, 2008 Shire Deutschland Investments GmbH held approximately 98.3% of subscribed share capital in Jerini AG. Shire Deutschland Investments GmbH is a member of the Shire Group of entities („Shire“) with Shire plc., Jersey, being the ultimate parent company. Shire displays significant influence over Jerini.

Transactions entered into with Shire resulted in accounts receivable as of December 31, 2008 in the amount of € 126 thousand.

These accounts receivable are related to transactions processed by Jerini and charged to Shire. No income or expenses nor liabilities were generated as a result of transactions with Shire.

Apart from the board members listed in Note 30 and Shire, there are no further related parties.

Total Remuneration of Members of the Management Board

Total remuneration of members of the Management Board is comprised of fixed remuneration and performance-based remuneration. Performance-based remuneration is based on various criteria, such as grade of fulfillment of individual goals and performance goals of the Company. Performance-based remuneration is subject to approval of the Supervisory Board after year end.

Remuneration received by management during the year ended December 31, 2008 was as follows:

Name	Fixed remuneration in thousand €	Other fixed remuneration in thousand €	Performance-based remuneration in thousand €
Prof. Dr. Jens Schneider-Mergener	217	28	230*
Dr. Jochen Knolle	209	25	225*
Dr. Adi Hoess	183	28	210*
Berndt Modig	183	28	210*
Theresa Heggie	48	–	–
Christian von Volkmann	34	3	7
Whajjen Soo	14	–	–
Total	888	112	875

* Includes a milestone bonus for the approval of Firazyr® by the EMEA in the amount of € 100 thousand each and special bonuses between € 20 thousand and € 30 thousand.

Until October 9, 2008 the Company made payments of an average amount of € 1,500.00 out of each Management Board member's gross salary to relief and pension funds (Unterstützungs- und Pensionskassen). In addition, the Company made contributions into a direct insurance policy for two members of the Management Board, up to the maximum amount allowed under section 40b of the German Income Tax Act (Einkommensteuergesetz). After October 9, 2008 the Company makes a contribution into a direct insurance policy for one member of the Management Board in the amount of € 1,752.00.

Total short-term remuneration received by members of management amounted to € 1,882 thousand (prior year € 1,321 thousand) during the year ended December 31, 2008.

Remuneration due to change of control

As a result of the takeover the former Management board took advantage of the change of control clause in their service contracts and terminated the agreement prematurely. If a Management Board member's employment ended due to a "Change of Control," the Management Board member in question was entitled to a payout of his earnings (annual salary plus *tantieme*) for the residual term of his employment contract up to a maximum of 3 years ("Change of Control" settlement). If the residual term of the employment contract was less than 2 years, the amount of the Change of Control settlement was based on annual salary plus *tantieme* for 2 years. The Change of Control settlement was reduced by 10 percent for purposes of discounting interest and setting off other income.

Management Board members in service until October 9, 2008 were subject to a non-competition clause for two years after the contract's termination. During this period, the members are eligible to receive a maximum monthly compensation of up to 50 percent of the monthly average of the total fixed and variable remuneration, excluding any additional milestone bonus, received in the last full calendar year prior to termination.

Remuneration received by management as a result of the termination of their agreements and under the non competition clause during the year ended December 31, 2008 was as follows:

Name	Change of Control in thousand €	Non-competition clause in thousand €
Prof. Dr. Jens Schneider-Mergener	938	27
Dr. Jochen Knolle	900	26
Dr. Adi Hoess	798	23
Berndt Modig	798	23

Remuneration with long-term incentives

Dr. Jochen Knolle was awarded a stock option grant of 300,000 options in January 2008 under the Jerini Ophthalmic, Inc. stock option plan. The fair value of the options as of the grant date was USD 213 thousand (€ 149 thousand). Compensation expense for stock options granted to management under the Jerini stock option plans and the Jerini Ophthalmic, Inc. stock option plan amounted to € 346 thousand and € 630 thousand for the years ended December 31, 2008 and 2007, respectively. No options were granted in 2008 and 2007 to members of the management board with the exception of Dr. Jochen Knolle.

Total Remuneration of the Supervisory Board

Total remuneration of the members of the Supervisory Board amounted to € 194 thousand during the year ended December 31, 2008 (prior year € 190 thousand). Members of the Supervisory Board were reimbursed for traveling expenses totaling € 10 thousand (prior year: € 17 thousand).

**Advance payments to members of the Management Board
and the Supervisory Board as well as contingent liabilities favoring members
of the Management Board and the Supervisory Board**

Members of the Management Board occasionally received advance payments for traveling expenses in the due course of the business. All amounts have been repaid during the year or had been used in full. The Company has a contingent liability in favor of one of the members in the amount of € 4 thousand related to a rental security.

Contingent liabilities in favor of members of the Supervisory Board did not exist as of or in the periods ended December 31, 2008 and 2007. Members of the Scientific Advisory Board did not receive any amounts, advances or loans during the year. No contingent liabilities exist with regard to these individuals.

28. Subsequent Events

On January 13, 2009 Jerini AG signed an amendment to the Alcon collaboration agreement to extend the agreement for two years.

As a result of the resignation of Dr. Jochen Knolle as company secretary and board member of Jerini Ophthalmic, Inc., 112,502 stock options granted under the Jerini Ophthalmic, Inc. stock option plan forfeited as of February 14, 2009.

On March 12/13, 2009 Andreas de Maizière, Leonhard Terp and Dr. Werner Föller were appointed new members of the Supervisory Board.

As of December 31, 2008, cash and cash equivalents amounted to € 6.8 million. On March 25, 2009 Jerini signed an uncommitted loan agreement with Shire Global Finance in the amount of € 34 million to fund its operations and provide necessary liquidity on an ongoing basis. The agreement is interest bearing at 6.5 percent plus ECB base rate. Tranches of the loan will be provided to Jerini as needed to fund operations. The loan is due for repayment at the earlier of either expiration of the agreement after two years or repayment by Jerini from its own liquid resources.

No other events took place after the balance sheet date that have a significant effect on the Company's net assets, financial position, or results of operations, and that would either need to be included in this report or change the statements made in the financial statements.

**29. Additional Information provided
pursuant to Sec. 315a of the German Commercial Code (HGB)**

Employees

Average number of employees during the year ended December 31, 2008:

	JPH	JPT	Total
Employees	133	31	164
Temporary assistants	11	11	22
	144	42	186

**Report pursuant to Sec. 161 of the German Stock Corporation Code (AktG)
regarding the Corporate-Governance-Code**

The Company has published the report pursuant Sec. 161 German Stock Corporation Code (AktG).

Auditors fees

in thousands €	2008	2007
Statutory audit	105	107
Other attestation services	45	97
	150	204

30. Boards of the Company and Registered Office

Supervisory Board

Dr. Sylvie Grégoire

Chairman of the Supervisory board since September 2008

President of Shire Human Genetic Therapies and Director of various companies of the Shire Group, Cambridge, USA

Member of the Supervisory Board of

- Shire Deutschland Investments GmbH, Frankfurt/Main, Germany
- Shire Human Genetic Therapies (Canada) Inc., West Toronto, Canada
- Shire Human Genetic Therapies AB, Danderyd, Sweden
- Shire Human Genetic Therapies Inc, Cambridge, USA

Graham Hetherington

Member of the Supervisory board since September 2008, deputy chairman

Chief Financial Officer of Shire and Director of a further company of the Shire Group, Basingstoke, UK

Member of the Supervisory Board of

- Shire plc, St. Helier, Jersey
- Shire Global Finance, Basingstoke, UK
- Shire Pharmaceuticals Group, Basingstoke, UK

Tatjana May

Member of the Supervisory board since September 2008

General Counsel and Company Secretary of Shire and Director or the Company Secretary of various companies of the Shire Group, Basingstoke, UK

Member of the Supervisory Board of

- Shire Executive Services LLC, Cambridge, USA

Andreas de Maizière

Member of the Supervisory board since March 2009

Partner at Doertenbach & Co. GmbH, Frankfurt, Main, Germany

Member of the Supervisory Board of

- Conergy AG, Hamburg

Leonhard Terp

Member of the Supervisory Board
since March 2009

Managing director

- Shire Deutschland GmbH, Cologne, Germany
- Shire Deutschland Investments GmbH, Frankfurt, Main, Germany

Dr. Werner Föller

Member of the Supervisory board
since March 2009

Managing director

- Shire Deutschland GmbH, Cologne, Germany
- Shire Deutschland Investments GmbH, Frankfurt, Main, Germany

Dr. Karl-Gerhard Seifert

Chairman of the Supervisory Board
since February 2001 and until September
2008 Member of the Supervisory Board
until November 2008

Member of the Supervisory Board of

- AllessaChemie GmbH, Frankfurt, Main, Germany (Chairman)
- Messer Group GmbH, Sulzbach, Germany
- Athenix Corp., Durham, NC, USA
- TFL International GmbH, Weil a.R., Germany
- SpePharm Holding BV, Amsterdam, Netherland

Member of the Advisory Board of

- Deutsche Bank AG, Frankfurt, Germany
- Conduit Ventures Ltd., London, UK

Dr. Hubert Birner

Member of the Supervisory Board
until September 2008,

General Partner, TVM Capital GmbH,
Munich, Germany

Member of the Supervisory Board of

- Argos Therapeutics, Inc., Durham, NC,
USA (chairman)
- Evotec AG, Hamburg, Germany
- Spepharm Holding BV, Amsterdam,
Netherlands
- BioXell SA, Milano, Italy
- Proteon Therapeutics, Inc., Kansas City,
Missouri, USA
- Transmolecular, Inc., Boston,
Massachusetts, USA
- Nitec Pharma SA, Basel, Switzerland

Dr. Stephan Goetz

Member of the Supervisory Board
until September 2008

Managing Director goetzpartners
Corporate Finance GmbH, Munich,
Germany

Zsolt Lavotha

Member of the Supervisory Board
until September 2008

Founding member and CEO of Monaco
Venture Capital Association

Member of the Supervisory Board of

- Pantarhei Bioscience BV, Netherlands

Dr. Björn Odlander

Member of the Supervisory Board
until September 2008

Managing Director HealthCap, Stockholm,
Sweden

President and Director of Odlander,
Fredrikson & Co AB, Stockholm, Sweden

President and Director OFP V Advisor AB,
Stockholm, Sweden

Chairman of

- HealthCap AB, Sweden
- HealthCap 1999 GP AB, Sweden
- HealthCap IV GP AB, Sweden
- HealthCap Annex Fund I-II GP AB,
Sweden
- HealthCap III Sifund GP AB, Sweden
- HealthCap AEROC Holding AB, Sweden
- HealthCap 1999 ORX Holding AB,
Sweden
- HealthCap Gbr ORX Holding AB,
Sweden
- HealthCap Sifund ORX Holding AB,
Sweden
- HealthCap XC Holding AB, Sweden

Member of the Supervisory Board of

- Affibody Holding AB, Bromma, Sweden
- Bone Support AB, Lund, Sweden
- Cardoz AB, Stockholm, Sweden
- CC10 Sweden AB, Stockholm, Sweden
- Faucon AB, Stockholm, Sweden
(deputy chairman)
- Hydragyr AB, Stockholm, Sweden
- LTB4 Sweden AB, Stockholm, Sweden
- OxThera AB, Uppsala, Sweden

Prof. Dr. Dr. h.c. Günter Stock

Member of the Supervisory Board
until November 2008

President of the Berlin-Brandenburg
Academy of Sciences

Member of the Supervisory Board of

- Central European University, Budapest,
Hungary
- Charité – University hospital Berlin,
Germany
- University hospital Würzburg, Germany
- Biomedical Research-campus Berlin-
Buch, Germany

*Committees of the Supervisory Board of Jerini***General Committee**

Dr. Karl-Gerhard Seifert (chairman)
until September 15, 2008

Dr. Hubert Birner
until September 5, 2008

Dr. Stephan Goetz
until September 5, 2008

Dr. Sylvie Grégoire (chairman)
since September 15, 2008

Graham Hetherington
since October 9, 2008

Tatjana May
since October 9, 2008

Nomination Committee

Dr. Stephan Goetz (chairman)
until September 5, 2008

Dr. Hubert Birner
until September 5, 2008

Dr. Björn Odlander
until September 5, 2008

Tatjana May (chairman)
since October 9, 2008

Dr. Sylvie Grégoire
since October 9, 2008

Graham Hetherington
since October 9, 2008

Audit Committee

Dr. Hubert Birner (chairman)
until September 5, 2008

Dr. Karl-Gerhard Seifert
until September 15, 2008

Zsolt Lavotha
until October 9, 2008

Graham Hetherington (chairman)
since October 9, 2008

Dr. Sylvie Grégoire
since September 15, 2008

Tatjana May
since October 9, 2008

Management Board

Management Board **since October 10, 2008:**

Theresa Heggie, BSc. Life Sciences, Chief Executive Officer

Dr. Whaijen Soo, MD, Physician, Chief Scientific Officer

Chrisitan von Volkmann, MBA, Chief Financial Officer

Management Board **until October 9, 2008:**

Prof. Dr. Jens Schneider-Mergener, Chemistry graduate, Chief Executive Officer

Dr. Adi Hoess, Chemistry graduate, Chief Commercial Development Officer

Dr. Jochen Knolle, Chemistry graduate, Chief Scientific Officer

Berndt Modig, MBA, Chief Financial Officer

Members of management do not sit on any Supervisory Boards pursuant to statutory regulations or similar boards with power to supervise companies.

Registered Office and Name of the Parent Company:

Jerini AG
Invalidenstraße 130
10115 Berlin
Germany

Trade register at the local court of Berlin-Charlottenburg: HRB 79648 B

Theresa Heggie
(Chief Executive Officer)

Christian von Volkmann
(Chief Financial Officer)

Dr. Whaijen Soo
(Chief Scientific Officer)

AUDIT OPINION

“We have audited the consolidated financial statements prepared by the Jerini Aktiengesellschaft, Berlin, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [„Handelsgesetzbuch“: „German Commercial Code“] are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Berlin, March 25, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Diederichs
Wirtschaftsprüfer
[German Public Auditor]

Stander
Wirtschaftsprüfer
[German Public Auditor]

SUPERVISORY BOARD REPORT

Dear Shareholders,

For Jerini, 2008 was a year full of success and also a year full of changes. Clearly, the most important milestone achieved was the European approval of Firazyr® (Icatibant) for the treatment of acute attacks of hereditary angioedema (HAE), received in July 2008. The European Commission's approval allows Jerini to market Firazyr® in the European Union's 27 member states and Norway, Iceland, and Liechtenstein. The sales and marketing teams are working hard to make Firazyr® available in these countries as quickly as possible. Firazyr® has been launched in Germany, Austria, Spain, Greece, Denmark, Luxemburg and the UK and is available through named patient sales programs in France, Italy, Norway and Belgium.

On July 3, 2008, Jerini and Shire Deutschland Investments GmbH agreed on a strategic partnership whereby Shire announced a voluntary public takeover offer to Jerini's shareholders. In their joint statement dated August 22, 2008 and published on August 25, 2008, Jerini's Supervisory and Management Boards unanimously recommended that the Jerini shareholders accept Shire's offer.

As a result of the takeover process and change in shareholding, several personnel changes were made to Jerini's Management and Supervisory Boards. As of day-end September 5, 2008, Supervisory Board Members Dr. Hubert Birner, Dr. Björn Odlander, and Dr. Stephan Goetz stepped down from their positions. As of September 6, 2008, Dr. Sylvie Grégoire, Tatjana May, and Graham Hetherington were appointed by the court to the vacated positions. These appointments will conclude at the end of the next Shareholders' Meeting or, at the latest, by December 31, 2009. As of September 15, 2008, Dr. Sylvie Grégoire replaced Dr. Karl-Gerhard Seifert as Chairman of the Supervisory Board. On October 9, 2008, Graham Hetherington took over the position of Vice Chairman. As of day-end November 6, 2008, Dr. Karl-Gerhard Seifert, Zsolt Lavotha, and Prof. Dr. Dr. h.c. Günter Stock resigned from their Supervisory Board positions. By court order dated March 12/13, 2009 Andreas de Maizière, Dr. Werner Föllner and Leonhard Terp were appointed to the vacated positions.

These appointments will conclude at the end of the next Shareholders' Meeting or, at the latest, by September 30, 2009. Andreas de Maizière is candidate for the Supervisory Board chairman position.

On October 9, 2008, Jerini's then Management Board members Professor Dr. Jens Schneider-Mergener, Dr. Jochen Knolle, Dr. Adi Hoess and Berndt Modig resigned from their positions. On the same day, Jerini's Supervisory Board appointed Theresa Heggie (Chief Executive Officer), Dr. Whaijen Soo (Chief Scientific Officer), and Christian von Volkmann (Chief Financial Officer) as new Management Board members.

In an adhoc release on October 10, 2008, Jerini announced that following an indepth review, Jerini's Supervisory and Management Boards decided that it is in the company's best interests to divest Jerini Ophthalmic, Inc. (JOI), JPT Peptide Technologies GmbH (JPT), and Jerini's preclinical programs.

On December 16, 2008, Jerini announced in an adhoc release Shire's request to pass a resolution at Jerini's next General Shareholders' Meeting calling for the transfer of shares held by Jerini's minority shareholders to Jerini's main Shareholder, Shire Deutschland Investment GmbH, against payment of an appropriate cash compensation. Shire may also propose a resolution calling for the delisting of Jerini's shares from the Frankfurt Stock exchange. On December 16, 2008, Shire informed Jerini that Shire holds 98.32 percent of Jerini's outstanding shares. Jerini is a subsidiary of Shire plc and a member of the Shire group of companies.

Supervisory Board Meetings and Conference Calls

In 2008, the Supervisory Board held four regular meetings, which took place on March 12, June 26, October 9 and December 10. Conference calls were held on February 15 and 28, April 1, 2, 5, and 23, May 23, and July 2. A quorum was present at all meetings and telephone conferences, and no Supervisory Board member took part in fewer than half of the Supervisory Board meetings during the respective term of office. The Management Board participated in all Supervisory Board meetings.

The Supervisory Board performed the functions in accordance with the applicable laws, articles of association, German Corporate Governance Code, and its internal rules of procedure. The most important sources of information for the Supervisory Board were regular reports by the Management Board (with accompanying documents), especially in preparation for Supervisory Board meetings and conference calls, along with direct exchanges of information during Supervisory Board meetings and conference calls. In addition to meetings and conference calls, there were several discussions among members of the Supervisory Board and between Supervisory and Management Board members, especially with the Chief Executive Officer and the Chief Financial Officer.

Rules of Procedure and Committees of the Supervisory Board

In accordance with its internal rules of procedure from September 19, 2007, the Supervisory Board has established a General Committee, an Audit Committee, and a Nomination Committee. The General Committee coordinates the work of the Supervisory Board, organizes its meetings and, in particular, prepares the Supervisory Board's decisions regarding the appointment, employee contracts, and bonus payments of the Management Board members. However, the Supervisory Board makes the final decisions regarding these matters. Due to the resignation from the General Committee of Dr. Hubert Birner, Dr. Stefan Goetz (both on September 5, 2008), and Dr. Karl-Gerhard Seifert (September 15, 2008), new members were elected to fill these positions. On September 15, 2008 and October 9, 2008, resolutions were passed electing the following individuals to the General Committee: Dr. Sylvie Grégoire (whose role as Chairman of the Supervisory Board also means she is Chairman of the General Committee), Graham Hetherington and Tatjana May.

On April 2, 2008, the General Committee held a conference call. During the past business year, it reviewed especially the Management bonus payments and the alternatives for company financing presented by the Management Board. These and other matters were also examined by the entire Supervisory Board.

The Audit Committee prepares, *inter alia*, Supervisory Board decisions regarding approval of the annual financial statements, the consolidated financial statements, and the engagement and fees of the company's auditors. Further, the Audit Committee supports the Supervisory Board in monitoring the Management Board and addresses risk management and compliance issues. Due to the resignations of Dr. Hubert Birner (on September 5, 2008), Dr. Karl-Gerhard Seifert (on September 15, 2008), and Zsolt Lavotha (on October 9, 2008), new members were elected to the Audit Committee. Resolutions were passed on September 15 and October 9, 2008 electing Graham Hetherington (Chairman), Dr. Sylvie Grégoire, and Tatjana May to the Audit Committee. The Audit Committee met on March 12, 2008 and conducted conference calls on March 3, May 13, August 12, and November 12, 2008. The Audit Committee discussed and reviewed, in particular, the annual and consolidated financial statements for 2007, the financial reporting for 2008, and the selection of the auditor in preparation for the respective Supervisory Board and shareholders' resolution.

The Nomination Committee is responsible for proposing suitable candidates to the Supervisory Board for recommendation to the shareholders. Due to the resignations of Dr. Stephan Goetz, Dr. Björn Odlander, and Dr. Hubert Birner on September 5, 2008, new members were elected to the Nomination Committee. Resolutions were passed on October 9, 2008 electing Tatjana May (Chairman), Dr. Sylvie Grégoire, and Graham Hetherington to the Nomination Committee. The Nomination Committee held no meetings in 2008, as no nominations were needed for the General Shareholders' Meeting.

Ongoing Supervision and Core Advising Areas

The Supervisory Board continuously oversaw the activities of the Management Board and advised it on strategic and other important issues. The Management Board provided regular oral and written information to the Supervisory Board, both at and in preparation for its meetings in the following areas: intended business policy, corporate planning including deviations from previously reported goals, the general and financial state of the company, the business operations, the company's financial results and substantial business developments, and important investment, operational, and liquidity transactions. Other important developments were reported by the Management Board to the Supervisory Board chairman and the Supervisory Board in writing or in telephone conferences. The Supervisory Board examined the activities of the Management Board through oral and written questions to the Management Board and through examination of the written documents submitted by the Management Board. The document review took place in preparation for and during the Supervisory Board meetings and conference calls.

In 2008, the Supervisory Board focused chiefly on advising the Management Board on the company's financing needs. The Management Board presented several financing alternatives including the takeover offer from Shire Deutschland Investments GmbH. The Supervisory Board reviewed these projects both before and several times during the negotiation phase and, together with the Management Board, made the final decision.

Special Management Board reports as outlined in Sec. 90 Para. 3 of the German Stock Corporation Act (AktG) or separate inspections of the books and records were not required by the Supervisory Board in 2008. For Management Board decisions requiring Supervisory Board approval, the Supervisory Board examined the proposals and corresponding documents. All 28 decisions presented in 2008 requiring its approval were agreed to by the Supervisory Board. Those decisions included matters associated with the prior year's financial statements, approval of the agenda for the 2008 Annual Shareholders' Meeting, the decision regarding a capital increase from the authorized capital 2005/II and the business combination agreement with Shire Deutschland Investments GmbH along with the recom-

mendation to the shareholders to accept Shire's takeover offer, the replacement and new responsibilities of the Management Board, the replacement of Supervisory Board Members and their Committees, and the decision to divest those assets not related to Firazyr®.

The Supervisory Board also considered the new recommendations of the German Corporate Governance Code and agreed that the company would continue to pursue the fullest possible observance of these recommendations.

Corporate Governance

Jerini AG is steadfastly committed to good corporate governance. The Supervisory Board examines the effectiveness of its activities on an annual basis. There were no conflicts of interest involving individual Supervisory Board members in 2008. An overview of all mandates involving members of the Supervisory Board outside of their duties at Jerini AG can be found in Note 30 to the Consolidated Financial Statements in the Annual Report. For more information on corporate governance, Directors' Dealings, and independence of Supervisory Board members, please refer to the Corporate Governance Report. This report also contains information on Supervisory Board compensation.

Dependence Report 2008

Due to the majority participation of Shire Deutschland Investments GmbH, Jerini AG is, as of August 5, 2008, a controlled company within the meaning of Sec. 17 Para. 2 AktG. In accordance with Sec. 312 AktG, the Management Board of Jerini Aktiengesellschaft has prepared a report for fiscal year 2008 on the Company's relationships with affiliates. The report closes with the following declaration:

"Jerini Aktiengesellschaft received appropriate consideration for each legal transaction stated in the report on relationships with affiliates, and was not disadvantaged by any measure taken or not taken as stated in the report, taking into consideration the circumstances which were known to the Management Board at the time of concluding such transactions or taking or not taking such measures."

The dependence report was made available to the Supervisory Board. The auditors audited this report and issued the following audit opinion:

“Based on our audit in accordance with professional standards and our evaluation, we confirm the following:

1. the factual statements made in the report are correct
2. the consideration paid by the Company in respect of the legal transactions mentioned in the report were not excessive
3. there are no circumstances that would indicate a materially different assessment of the measures listed in the report to that given by the Management Board.”

The auditor’s opinion was presented to the Supervisory Board and Audit Committee. The Supervisory Board and Audit Committee examined the dependence report and discussed it, including a discussion with the Management Board. The auditor was in attendance, reported the audit results regarding the dependence report to the Supervisory Board members and answered questions. The Supervisory Board agreed with the audit results regarding the dependence report. After concluding, and pursuant to the results of its own examination, the Supervisory Board had no objections to the Management Board’s statement at the end of the dependence report.

2008 Annual Financial Statements and Consolidated Financial Statements

At the General Shareholders’ Meeting on June 26, 2008, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft was elected as the auditing firm for the 2008 business year. The auditing appointment for the annual financial statements, the consolidated financial statements, the management report and the group management report was made by the Supervisory Board on December 22, 2008 and provided, inter alia, for the following audit priorities: clinical expenses and provisions, revenue recognition, consolidation of US entities, divestments, and stock options. The annual financial statements, the consolidated financial statements, the management report, and the group management report were provided to the Supervisory Board and Audit Committee. The financial statements and reports were examined by the auditor and each was given an unqualified opinion. The Supervisory Board and Audit Committee examined the annual and consoli-

dated financial statements, the management report and the group management report and discussed these, including a discussion with the Management Board. The auditor was in attendance, reported the audit results to the Supervisory Board members and answered questions. The Supervisory Board agreed with the audit results. After concluding, and pursuant to the results of, its own examination, the Supervisory Board has no objections to the annual financial statements, the consolidated financial statements, the management report and the group management report. In its resolution dated March 30, 2009, the Supervisory Board approved the annual financial statements as of and for the year ended December 31, 2008 and the consolidated financial statements as of and for the year ended December 31, 2008 submitted by the Management Board. The annual financial statements as of and for the year ended December 31, 2008 are, therefore, established in accordance with Sec. 172 AktG. Due to the lack of annual profit, no proposal was to be made for its use. The net loss for the business year 2008 will be carried forward to the next business year.

The Supervisory Board wishes to thank the Management Board and all Jerini employees for their commitment and work in 2008.

Berlin, March 30, 2009

Dr. Sylvie Grégoire
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

Responsible corporate governance is an integral part of successful and transparent business management. Jerini's Management and Supervisory Boards are committed to the principles contained in the German Corporate Governance Code (last amended on June 6, 2008), namely, to support and encourage superior, trustworthy management in the interests of shareholders, employees, and clients. The underlying objective at Jerini is to continually increase the value of the company. The company substantially adheres to the recommendations of the German Corporate Governance Code. In cases where certain recommendations have not been or will not be followed, the Management and Supervisory Boards of Jerini AG have accounted for and explained the exceptions in a declaration of conformity (Entsprechenserklärung) in accordance with § 161 of the German Stock Corporation Act (AktG). Jerini's declaration of conformity can be found at the end of this report.

Shareholders and Annual General Shareholders' Meeting

Information about important company dates, including the Annual General Shareholders' Meeting, is available to Jerini shareholders on the financial calendar published in the Annual Report and on the company's website. At the Annual General Shareholders' Meeting, shareholders have the opportunity to exercise their share voting rights either in person or through an authorized individual of their choice or company representatives. Further information on the voting process, along with the items on the agenda, will be published in a timely manner on Jerini's website. The company's next Annual General Shareholders' Meeting is scheduled to take place on June 16, 2009 in Berlin.

Cooperation Between the Management and Supervisory Boards

The Management and Supervisory Boards of Jerini AG continued to maintain close contact with each other in 2008. Communication between the respective chairmen of the Supervisory and Management Boards took place through weekly or biweekly telephone calls. Four regular meetings were held, as well as various telephone and personal conversations. All Supervisory Board meetings took place in the presence of the Management Board. When necessary, the Supervisory Board withdrew for consultation without the Management Board. In the 2008 business year, Supervisory Board approval was sought on 28 transactions. The Supervisory Board approved all matters on which their approval was sought. The Management Board reported to the Supervisory Board on a regular basis regarding its intended business policy and other fundamental questions of business planning. The Supervisory Board received information from the Management Board in a timely manner. The reporting obligations, along with management actions subject to approval by the Supervisory Board, are detailed in the Management Board's rules of procedure.

Management Board

The Management Board conducts Jerini's business in compliance with all relevant laws, the articles of association, and the Management Board's rules of procedure. Furthermore, the Management Board, which acts as the company's representative to third parties, is responsible for ensuring a risk management and controlling system within the company to address potentially threatening developments at an early stage. The Management Board ensures that the law and the internal policies are abided by and also works to achieve their compliance by the Group companies. Jerini's Management Board currently comprises three members, including the Chairman of the Management Board. Due to the resignation of the former Management Board and the appointment of the new Management Board in October 2008, the schedule of responsibilities was changed. A list of the current members of the Management Board and their functions can be found in the Supervisory Board Report. There were no conflicts of interest in 2008.

Compensation of the Management Board

Compensation of the Former Management Board

Remuneration of the former Management Board members who left the company at the end of October 2008 consisted of a fixed amount, a variable amount, and stock-based compensation. The fixed component consisted of an annual salary, pension, and ancillary payments and considerations. The most recent annual salaries of the former Management Board members were as follows:

Name	Annual Salary in €
Prof. Dr. Jens Schneider-Mergener	260
Dr. Jochen Knolle	250
Dr. Adi Hoess	220
Berndt Modig	220

The company made monthly payments of an average amount of € 1,500 from each Management Board member's gross salary to relief and pension funds (Unterstützungs- und Pensionskassen). For two members of the Management Board, the company made an additional contribution into a direct insurance policy up to the maximum amount allowed under section 40b of the German Income Tax Act (Einkommensteuergesetz). Remuneration in kind, mainly relating to company cars, and premium payments for an occupational disability insurance policy, were also made.

The variable component consisted of an annual bonus (tantieme), granted at the discretion of the Supervisory Board in relation to the preceding business year and in the amount of up to 50 percent of the annual salary, taking into account the manager's performance and the company's results, financial condition, target achievement, and future prospects. The Supervisory Board could, at its discretion, grant an additional bonus for the preceding business year, not to exceed 50 percent of the fixed annual salary and tantieme, if important milestones had been reached (Milestone Bonus). In addition, each Management Board

member received a special bonus of € 100,000 for the European approval of Icatibant for the treatment of HAE.

In the past, Management Board members had received a further long-term incentive remuneration component in the form of stock options. No further stock options were issued in 2008. In 2008, the former Management Board's stock options were either exercised or cancelled and given cash compensation by Shire Deutschland Investments GmbH. For further information regarding the stock options, see the description of the company's stock option plans below and refer to note 16 of the Consolidated Financial Statements and the Remuneration Report of the Group Management Report.

Fixed and variable remuneration of the former Management Board members for the year 2008 (employment until October 31, 2008) was as follows:

in TEUR	Fixed Remuneration		Variable	Total 2008*
	Annual Salary	Other Fixed Remuneration	Tantieme, Milestone Bonus, and Special Bonus	
Name				
Prof. Dr. Jens Schneider-Mergener	217	28	230	475
Dr. Jochen Knolle	208	25	225	458
Dr. Adi Hoess	183	28	210	421
Berndt Modig	183	28	210	421

* Includes the special bonus for the European approval of Icatibant and a Milestone Bonus in the amount of € 30,000 (Schneider-Mergener), € 25,000 (Knolle), and € 20,000 (Hoess, Modig) respectively.

Termination Compensation and Non-Competition Clause

Due to the termination of the Management Board members' contracts, each member is subject to a non-competition clause for two years after the contract's termination. During this period, each member is eligible to receive a maximum monthly compensation of up to 50 percent of the monthly average of the total fixed and variable remuneration, excluding any additional milestone bonus, received in the last full calendar year prior to termination.

As the Management Board members' employment ended due to a "Change of Control," namely through the takeover by Shire Deutschland Investments GmbH, Management Board members are eligible for a payout of their earnings (annual salary plus *tantieme*) for the residual term of their employment contracts, up to a maximum of 3 years ("Change of Control" settlement). The Change of Control settlement was reduced by 10 percent for purposes of discounting interest and offsetting other income.

The former Management Board members' Change of Control compensation and the non-compete compensations for the period November 1 through December 31, 2008 were as follows:

Name	Change of Control Compensation in €	Total Non-Compete Compensation November 1 through December 31, 2008 in €
Prof. Dr. Jens Schneider-Mergener	938	27
Dr. Jochen Knolle	900	26
Dr. Adi Hoess	798	23
Berndt Modig	798	23

Compensation of New Management Board Members

The remuneration of the new Management Board members consists of fixed and variable payments. The fixed component consists of an annual salary, pension, and ancillary payments and considerations. The Management Board members receive the following annual salaries, which were prorated for the period October 9 through December 31, 2008:

Name	Annual Salary in €
Theresa Heggie	207
Christian von Volkmann	147
Whaijen Soo	62

On behalf of Christian von Volkmann, the company makes annual payments in the amount of € 1.752 to a direct insurance policy. In addition, as part of his fixed salary, Christian von Volkmann receives payments in the amount of the employer's share in pension, unemployment, and medical and disability insurance contributions. Christian von Volkmann also receives € 15,000 a year as an automobile allowance. The company also assumes the premiums plus income tax resulting from disability insurance and casualty insurance. Moreover, contributions through the appropriation of working materials will be provided.

The variable component consists primarily of an annual bonus. In 2008, as Jerini AG's Chief Financial Officer, Christian von Volkmann received a bonus of TEUR 7. The other members of Jerini's Management Board, Theresa Heggie and Whaijen Soo, did not receive a bonus in 2008. As of 2009, the Management Board members are entitled to an annual bonus of up to 60 percent of their respective fixed annual salaries, to be determined by the Supervisory Board in consideration of individual target achievements. It has been agreed that Christian von Volkmann is entitled to receive a special compensation for achievements that have a significantly positive effect and were not anticipated. The amount of this special compensation will be at the discretion of the Supervisory Board.

Compensation in the Case of Termination and Non-Competition Clause

In the case of termination, Management Board member Christian von Volkmann is subject to a non-competition clause of 12 months following termination of his contract. During this time, he is eligible to receive monthly compensation in the amount of 50 percent of his annual fixed salary, annual bonus, and other payments (without special compensation). Theresa Heggie and Whaijen Soo do not have non-competition clauses in their contracts with Jerini.

If a Management Board member's employment is terminated without cause prior to the end of the contract term, severance compensation will be provided. For Management Board members Theresa Heggie and Whaijen Soo, the maximum severance compensation would be a payment of 3 months of their fixed annual salary. In the case of Christian von Volkmann, the severance compensation would consist of the salary (fixed salary along with a bonus in the amount of 40 percent of the fixed salary) for the remaining term of his contract, or, at a minimum, the salary for a six-month period. Christian von Volkmann will also receive a severance payment in the amount of his salary for a six-month period should his employment terminate due to a transformation of the company or should his employment ultimately expire.

Supervisory Board

The Supervisory Board is responsible for appointing Management Board members, advising the Management Board, and monitoring its management activities. Jerini's Supervisory Board is currently made up of six members. As explained in the Supervisory Board report, Dr. Sylvie Grégoire, Tatjana May and Graham Hetherington were appointed by the court to the Supervisory Board as of September 6, 2008. In addition, in a court order dated March 12/13, 2009, Andreas de Maizière, Dr. Werner Föllner and Leonhard Terp were appointed to the Supervisory Board. Andreas de Maizière is a candidate for the chairman position. None of the Supervisory Board members is a former member of Jerini's Management Board. Further, the Supervisory Board has a General Committee (Präsidialausschuss), an Audit Committee (Prüfungsausschuss), and a Nomination Committee (Nominierungsausschuss).

The General Committee coordinates the work of the Supervisory Board, prepares its meetings and, in particular, its decisions regarding the appointment of Management Board members, their employment contracts, and bonus payments. However, the Supervisory Board makes the final decisions regarding these matters.

The Audit Committee prepares Supervisory Board decisions regarding approval of the annual financial statements, the consolidated financial statements, and compensation of the company's auditors. Further, the Audit Committee supports the Supervisory Board in monitoring the Management Board and addresses risk management and compliance issues.

The Nomination Committee consists of Supervisory Board members who are shareholder representatives and is responsible for proposing potential candidates to the Supervisory Board for recommendation to the shareholders.

More information about the members of the Supervisory Board can be found in the Supervisory Board report.

In its own judgment, the Supervisory Board is made up of a sufficient number of independent members. No Supervisory Board member has a business or personal relationship with the company or the company's Management Board.

Compensation of the Supervisory Board

In accordance with § 12 of the company's articles of association, with respect to the business year 2008, each member of the Supervisory Board received the following remuneration (in proportion to the time of their appointment): the Chairman received € 40,000, the Vice Chairman received € 30,000, and each of the four remaining members received € 20,000.

Supervisory Board members who acted as a regular member of one or more committees received additional compensation of € 5,000 per committee, and Supervisory Board members acting as chairman of one or more committees received additional compensation of € 10,000 per committee. Due to their resignations in the second half of 2008, each of the former Supervisory Board members received the following proportional payments (rounded) for the time served:

Compensation for the individual Supervisory Board members was as follows:

- **Dr. Karl-Gerhard Seifert:** TEUR 28 for the position of Chairman of the Supervisory Board, TEUR 3 as member of the Supervisory Board, TEUR 7 for the position of Chairman of the General Committee, and TEUR 4 as member of the Audit Committee
- **Dr. Hubert Birner:** TEUR 20 for the position of Vice Chairman of the Supervisory Board, TEUR 7 for the position of Chairman of the Audit Committee, and TEUR 3 as member of the General Committee
- **Dr. Stephan Goetz:** 14 TEUR as member of the Supervisory Board, TEUR 3 as member of the General Committee
- **Dr. Björn Odlander:** TEUR 14 as member of the Supervisory Board
- **Zsolt Lavotha:** TEUR 17 as member of the Supervisory Board, TEUR 4 as member of the Audit Committee
- **Prof. Dr. Dr. h.c. Günter Stock:** TEUR 17 as member of the Supervisory Board.

For their partial 2008 terms, the new Supervisory Board members were entitled to the following compensation (rounded):

- **Dr. Sylvie Grégoire:** TEUR 12 for the position of Chairman of the Supervisory Board, TEUR 3 for the position of Chairman of the General Committee, and TEUR 1 as member of the Audit Committee
- **Graham Hetherington:** TEUR 8 for the position of Vice Chairman of the Supervisory Board, TEUR 2 for the position of Chairman of the Audit Committee, and TEUR 1 as member of the General Committee
- **Tatjana May:** TEUR 6 as member of the Supervisory Board, TEUR 1 as member of the Audit Committee, and TEUR 1 as member of the General Committee

Supervisory Board compensation does not contain any variable components, and members received no compensation for personal services such as providing consultancy services or acting as intermediaries.

Efficiency Assessment of the Supervisory Board

As recommended by the German Corporate Governance Code, the Supervisory Board performed an efficiency assessment. The cooperation between individual members of the Supervisory Board and with the Management Board was reviewed. The Supervisory Board came to the conclusion that the cooperation meets appropriate standards of efficiency and trustworthiness. Proposals for improvement of general efficiency were discussed and will be implemented accordingly. The Supervisory Board intends to continue to assess its efficiency on an annual basis.

Transparency

In accordance with legal provisions, the company is obligated to disclose insider information. Six ad-hoc announcements were published in the 2008 financial year.

As soon as the company was informed that an individual acquired, exceeded, or fell below 3, 5, 10, 15, 20, 25, 30, 50, or 75 percent of the voting rights in the company, it published this information and submitted a record of its publication to the German Federal Financial Supervisory Authority (BaFin).

In accordance with § 15a of the Securities Trading Act (WpHG), the company is required to publish reports about transactions (Directors' Dealings) with Jerini AG shares (ISIN: DE0006787476) or relevant financial instruments of persons in leading positions in the company (Führungspersonen) or in a close relationship with persons in these positions. In 2008, 14 "Director's Dealings" were reported, and further details of these transactions have been published on the company's website.

As of December 31, 2008, no member of Jerini's Management or Supervisory Board held any Jerini AG shares or stock options.

Stock Option Plans

Until the end of October 2008, Jerini had a variety of stock option plans designed to allow its employees, Management Board members, and its affiliates' employees and managers to participate in the long-term success of the company. A more detailed description of the company's stock option plans is contained in note 16 of the Consolidated Financial Statements. In 2008, all company stock options were either exercised, forfeited, or cancelled, with Shire Deutschland Investments GmbH paying cash compensation to holders of cancelled stock options. As of December 31, 2008, there were no outstanding Jerini stock options.

Financial Reporting

Jerini's consolidated financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS). In accordance with the recommendations of the German Corporate Governance Code, the company's annual financial statements and its consolidated financial statements will be published within 90 days of the end of the financial year. The quarterly reports will be published within 45 days of the end of each quarter.

Auditing

A resolution passed at the Annual General Shareholders' Meeting on June 26, 2008 appointed Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the company's auditor for the 2008 financial year. This appointment was made by the Supervisory Board on December 22, 2008. The auditor's report the results of the audit directly to the Supervisory Board.

Declaration of Jerini AG's Management and Supervisory Boards on Recommendations of the Government Commission German Corporate Governance Code according to § 161 of the German Stock Corporation Act (AktG)

The Management Board and the Supervisory Board of Jerini AG hereby announce that the company has substantially adhered and intends to substantially adhere to the recommendations made by the "Government Commission German Corporate Governance Code" and published by the Federal Ministry of Justice in the official section of the electronic edition of the Federal Gazette. The only recommendations that were and will not be adhered to are set forth in the following. With respect to the time period from the last compliance declaration of March 2008 through August 7, 2008 this announcement refers to the German Corporate Governance Code in its version as of June 14, 2007, published in the electronic Federal Gazette on July 20, 2007. For the time period beginning on August 8, 2008, the announcement refers to the German Corporate Governance Code in its version as of June 6, 2008, published in the electronic Federal Gazette on August 8, 2008.

Deductible as Part of D&O Insurance (Number 3.8 Para. 2)

The Directors & Officers (D&O) Insurance provided by Jerini to members of its Management and Supervisory Boards does not include insurance protection for deliberate actions and omissions or intentional dereliction of duty. Insurance protection is granted only for breaches of duty resulting from negligence on the part of Management and Supervisory Board members. There is no deductible as it is not, in our view, a necessary precondition for responsible business practices. Rather, we believe that responsible business practices reflect a basic, self-evident principle of the behavior of each member of the Management and Supervisory Boards. Moreover, given that deductibles are uncommon internationally, it would also run contrary to Jerini efforts to attract outstanding businessmen and businesswomen from Germany and abroad to serve on its Supervisory Board.

Basic Principles and Variable Components of the Compensation System (Number 4.2.3 Para. 3)

The former Management Board members' stock options, which have now been exercised or paid out through cash compensation, were not related to any relevant comparison parameters. The stock option plans could have been changed retroactively with respect to performance targets. No cap had been agreed upon in the case of extraordinary and unforeseen developments. It is doubtful whether reference to comparison parameters would have been suitable when seeking to increase the incentive effect on Management Board members. Considering the structure of our former stock option plans, a cap did not appear necessary. No subsequent change in the performance targets was planned.

Cap on Compensation in Case of Premature Termination of Employment (Number 4.2.3 Para. 4)

The employment agreement with the Chief Financial Officer, Christian von Volkmann, provides that, if his employment either is terminated prematurely without cause, terminates due to a transformation of the company, or ultimately expires, Christian von Volkmann shall receive a compensation in the amount of the salary (fixed salary plus bonus in the amount of 40 percent of the fixed salary) for the remainder of his contractual term and, at a minimum,

in the amount of the salary for a six-month period. If the remaining term of the employment is less than six months, compensation exceeding the salary for the remaining term will be provided. This arrangement was agreed by the Jerini Supervisory Board to follow the spirit of the agreement in the Business Combination Agreement between Jerini AG and Shire Deutschland Investments GmbH to offer Jerini AG's employees a severance payment of six months' salary in case of termination.

Age Limit for Members of the Management Board (Number 5.1.2 Para. 2)

An age limit for members of the Management Board has not been specified. In our opinion, age is an unproductive criterion for the qualification and suitability of Management Board members, and it would unnecessarily limit the Supervisory Board's search for qualified, experienced Management Board members.

Basic Principles of the Supervisory Board Compensation (Number 5.4.6 Para. 2, former Number 5.4.7 Para 2)

Supervisory Board members do not receive performance-related compensation. At this time, establishing performance-related compensation would result in considerable juridical uncertainty due to the difficulties associated with defining success criteria. In addition, considering the current composition of the Supervisory Board, the question of whether performance-related compensation would create an additional incentive is debatable.

Berlin, Germany – March 2009

Management Board

Supervisory Board

FINANCIAL CALENDAR 2009

March 30, 2009

Announcement on Annual Account 2008/
Publication Annual Report 2008

May 15, 2009

Announcement Quarterly Report QI 2009

June 16, 2009

General Shareholders' Meeting

August 14, 2009

Announcement Half-Yearly Financial Report 2009

November 13, 2009

Announcement Quarterly Report QIII 2009

IMPRINT

Publisher

Jerini AG
Invalidenstraße 130
10115 Berlin
Tel.: +49-30-978 93-0
Fax: +49-30-978 93-105
E-Mail: info@jerini.com
www.jerini.com

Concept and Design

IR-One AG & Co., Hamburg
www.ir-1.com

Contact

Stacy Wiedenmann
Director Investor Relations &
Corporate Communications
Phone: +49-30-978 93-285
Fax: +49-30-978 93-599
Email: wiedenmann@jerini.com

Jerini AG
Invalidenstraße 130
10115 Berlin
Germany
Phone: +49-30-978 93-0
Fax: +49-30-978 93-105
Email: info@jerini.com
www.jerini.com