

Jerini Aktiengesellschaft
Consolidated Interim
Financial Statements
For the Three-Month Period
Ended March 31, 2008

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INTERIM MANAGEMENT REPORT

Overview

On April 24, 2008, Jerini announced it had received a positive opinion from the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) recommending approval for Icatibant in the treatment of acute attacks of hereditary angioedema (HAE). The committee will now recommend that the European Commission grant marketing authorization for Icatibant, which is normally issued within 67 days from adoption of the CHMP opinion. In addition, 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. The company is reviewing the contents of the letter and plans to meet with the FDA within the next two months to address the agency's concerns.

On April 10, 2008, Jerini announced a license and development agreement between Jerini Ophthalmic, Inc. (JOI), its wholly-owned US subsidiary, and PR Pharmaceuticals (PRP). The collaboration agreement focuses on the development of sustained-release formulations (SRFs) for a range of ophthalmic indications, including JOI's lead drug candidates for the treatment of age-related macular degeneration (AMD): JSM 6427, an integrin antagonist, and JPE 1375, an inhibitor of the complement cascade. The collaboration agreement will enable JOI to leverage its drug development expertise with PRP's proven drug delivery platform and formulation resources for optimal product development. Under the terms of the agreement, JOI will pay an undisclosed upfront payment along with milestone payments for the achievement of preclinical and clinical goals and royalties on eventual product sales. In return, PRP agrees to cooperate exclusively with JOI on specified ophthalmic targets and to provide the company with all sustained-release formulations developed through the collaboration agreement.

On January 10, 2008, Jerini announced the signing of a research collaboration agreement with Baxter AG to develop a novel synthetic molecule for use in affinity purification of a therapeutic protein. Under the terms of the agreement, Jerini will use its Peptides-to-Drugs (P2D) technology platform to identify and develop a specific binding molecule for protein purification, which potentially offers key advantages over conventional antibody-assisted protein purification. Under the terms of the agreement, Jerini will receive an upfront payment and full time equivalents (FTE) funding along with potential milestone payments for the achievement of discovery, preclinical, and clinical goals and royalties on eventual product sales.

On January 8, 2008, Jerini announced that it has received notification from the FDA of the agency's decision to cancel the Drugs Advisory Committee meeting scheduled for February 20, 2008. The meeting was originally planned to provide a forum for FDA advisors to discuss the data included in Jerini's New Drug Application (NDA) for Icatibant in the treatment of HAE.

Outlook

Given the positive CHMP opinion and expected European Commission approval in June, Jerini expects European product launch for Icatibant in the treatment of HAE in the third quarter of 2008. Jerini's sales and marketing teams are completing their pre-marketing activities and, led by Jerini's commercial directors and key account managers, the company continues to work closely with HAE treating physicians, key opinion leaders, and patient organizations. In addition, country-specific reimbursement documentation is being prepared along with the logistical processes needed for successful product distribution. The optimal launch sequence has been determined and will begin in Germany and the UK in August 2008. In the remaining European countries, reimbursement is managed on a country-by-country basis and is expected to be completed within three to twelve months, depending on the country.

Jerini Ophthalmic, Inc. is currently conducting a Phase I clinical trial for JSM 6427 in the treatment of AMD, and trial results are expected in the second half of 2008. Additional financing will be needed to support Icatibant's European product launch, Jerini's ophthalmology programs, and the company's preclinical product pipeline. Several financing options are currently being evaluated, including strategic partnerships and capital market transactions. Given the company's current cash position, management anticipates that funding will be secured before the end of the third quarter of this year.

First Quarter 2008 Compared to First Quarter 2007

Total revenues for the first quarter 2008 decreased by 31.5 percent to € 2.5 million (prior year period: € 3.6 million). Revenues from collaboration agreements decreased to € 1.2 million in the first quarter 2008 (prior year period: € 2.7 million), mainly due to the termination of the agreement between Abbott (formerly Kos) and Jerini US, Inc. concluded on September 4, 2007. In the prior year period, Kos' upfront payment, recorded as deferred revenues, was released to revenue on a monthly basis. Revenues from product sales, generated by Jerini's wholly-owned subsidiary, JPT Peptide Technologies GmbH, increased to € 1.3 million (prior year period: € 0.9 million), mainly attributable to the expansion of production capacities and the acquisition of new key customers. Research and development expenses increased in the first quarter to € 6.0 million (prior year period: € 5.3 million), mainly due to higher subcontracting costs related to Jerini Ophthalmic, Inc. General and administrative expenses increased in the first quarter of 2008 to € 2.9 million (prior year period: € 2.1 million), due to increased headcount and stock-based compensations. Marketing and sales expenses increased to € 2.0 million (prior year period: € 1.1 million) as a result of expenses related to preparations for product launch. Loss from operations before tax and finance cost (EBIT) increased to € 9.1 million (prior year period: € 5.4 million). Net loss for the first quarter 2008 amounted to € 8.8 million (prior year period: € 4.8 million). Loss per share for this period amounted to € 0.17 (prior year period: € 0.09).

Financial Position and Cash Flow

Fixed assets for property, plant, equipment, and intangible assets remained unchanged in the first quarter 2008 at € 4.5 million (December 31, 2007: € 4.4 million). Trade receivables decreased to € 0.7 million in the first three months of 2008 (December 31, 2007: € 0.8 million) mainly due to a decrease in accounts receivables from Alcon Research Ltd. Cash and cash equivalents decreased to € 28.0 million (December 31, 2007: € 38.2 million) in the first three months of 2008.

In the first quarter of 2008, trade accounts payable and other liabilities decreased to € 10.3 million (December 31, 2007: € 11.1 million). Upfront and prepaid research fees decreased to € 0.8 million (December 31, 2007: € 0.9 million). Bank loans decreased to € 0.2 million (December 31, 2007: € 0.3 million) due to repayment.

Cash used in operating activities as of March 31, 2008 amounted to € 9.5 million (prior year period: € 4.3 million). Cash and cash-equivalents excluding restricted cash in the amount of € 0.3 million as of March 31, 2008 amounted to € 27.7 million (prior year

period: € 61.7 million). Net cash burn for the first three months of 2008 amounted to € 10.0 million (prior year period: € 4.5 million). Net cash burn is calculated by the addition of cash used in operating activities (€ 9.5 million) and cash used in investing activities (€ 0.5 million), as disclosed in the unaudited consolidated cash-flow statements for the three-month period ended March 31, 2008.

Jerini Shares

As of March 31, 2008, the last day of trading in the first quarter, Jerini stock closed at € 2.48 per share, a decrease of 17.0 percent as compared to the 2007 year-end closing at € 2.99 per share.

Employees

As of March 31, 2008, Jerini had 170 employees (compared to 166 employees as of December 31, 2007).

Report on Opportunities and Risks

The opportunities and risks associated with Jerini's upcoming developments in 2008 are described in the management report of December 31, 2007.

In response to the received not approvable letter from the FDA for its New Drug Application for Icatibant in the treatment of HAE, and Jerini plans to meet with the agency in the next two months to discuss the contents of the letter. The meeting with the FDA will enable Jerini to clarify specific additional steps are necessary to obtain US regulatory approval for Icatibant. Following the meeting, timelines and associated costs will be further evaluated. There have been no additional changes in the opportunities and risks in this reporting period.

Report on Major Related Party Transactions

Apart from the transaction described in note 14, there have been no major related party transactions in this reporting period.

CONSOLIDATED INCOME STATEMENTS

(In thousands, except share and per share data) (unaudited)	Three Months Ended March 31,		
		2008	2007
	Note	(€)	(€)
Revenues:			
Collaboration agreements		1,152	2,692
Product sales		1,304	896
Total revenues		2,456	3,588
Other income		192	127
Cost of product sales		(736)	(557)
Research and development expenses		(6,022)	(5,291)
General and administrative expenses		(2,854)	(2,132)
Selling and distribution costs		(2,042)	(1,143)
Other expenses		(98)	(18)
Loss from operations before tax and finance cost		(9,104)	(5,426)
Finance income		338	648
Finance cost		(5)	(9)
Net loss	10	(8,771)	(4,787)
Basic and diluted net loss per share	4	(0.17)	(0.09)
Shares used in computing basic and diluted net loss per share		52,481,310	52,458,471

CONSOLIDATED BALANCE SHEETS

(In thousands) (March 31, 2008 unaudited)		March 31, 2008	December 31, 2007
	Note	(€)	(€)
Assets			
Non-current Assets:			
Intangible assets		158	169
Equipment		4,295	4,268
Total Non-current Assets		4,453	4,437
Current Assets:			
Inventories		40	54
Trade accounts receivable	5	695	837
Other current assets	6	473	401
Capital interest tax receivable	7	1,471	1,428
Other financial assets		162	191
Cash and cash equivalents	8	27,977	38,180
Prepaid expenses	9	827	243
Total Current Assets		31,645	41,334
Total Assets		36,098	45,771

(In thousands) (March 31, 2008 unaudited)		March 31, 2008	December 31, 2007
	Note	(€)	(€)
Liabilities and Shareholders' Equity			
Shareholders' Equity :			
Common shares	10	52,535	52,535
Additional paid-in capital	11	72,710	72,365
Foreign currency differences		(863)	(645)
Retained loss	10	(100,531)	(91,760)
Total Shareholders' Equity		23,851	32,495
Non-current Liabilities:			
Trade accounts payable and other liabilities	12	37	31
Government grants		459	486
Bank loans		50	100
Total Non-current Liabilities		546	617
Current Liabilities:			
Trade accounts payable and other liabilities	12	10,230	11,029
Upfront and prepaid research fees	13	763	911
Government grants		498	511
Bank loans		200	200
Provisions		10	8
Total Current Liabilities		11,701	12,659
Total Shareholders' Equity and Liabilities		36,098	45,771

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except share data) (unaudited)	Common Shares		Additional Paid-in Capital	Foreign Currency Differences	Accumulated Deficit	Total
	Shares	Amount				
		(€)	(€)	(€)	(€)	(€)
Balances as of January 1, 2007	52,458,471	52,458	71,119	5	(62,746)	60,836
Translation adjustment	-	-	-	4	-	4
Net Loss	-	-	-	-	(4,787)	(4,787)
Net Loss = Total income and expense for the period	-	-	-	4	(4,787)	(4,783)
Stock based compensation	-	-	284	-	-	284
Balances as of March 31, 2007	52,458,471	52,458	71,403	9	(67,533)	56,337
Balances as of January 1, 2008	52,534,705	52,535	72,365	(645)	(91,760)	32,495
Translation adjustment	-	-	-	(218)	-	(218)
Net Loss	-	-	-	-	(8,771)	(8,771)
Total income and expense for the period	-	-	-	(218)	(8,771)	(8,989)
Stock based compensation	-	-	345	-	-	345
Balances as of March 31, 2008	52,534,705	52,535	72,710	(863)	(100,531)	23,851

CONSOLIDATED STATEMENTS OF CASH FLOW

(In thousands) (unaudited)	Three Months Ended March 31,	
	2008	2007
	(€)	(€)
Operating activities:		
Net loss	(8,771)	(4,787)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	457	460
Amortization expense	11	13
Interest received	(338)	(648)
Other interest expense	5	9
Net decrease of government grants	(40)	(28)
Employee stock-based compensation	345	284
	(8,331)	(4,697)
Changes in operating assets and liabilities:		
Inventories	14	(6)
Trade accounts receivable	142	352
Other current assets, capital interest tax receivable, other financial assets and prepaid expenses	(670)	380
Trade accounts payable and other liabilities	(803)	448
Accrued expenses	2	-
Upfront and prepaid research fees	(148)	(1,406)
Cash generated from operations	(9,794)	(4,929)
Interest received	338	648
Interest paid	(5)	(9)
Net cash used in operating activities	(9,461)	(4,290)
Investing activities:		
Purchases of equipment	(484)	(218)
Net cash used in investing activities	(484)	(218)

(In thousands) (unaudited)	Three Months Ended March 31,	
	2008	2007
	(€)	(€)
Financing activities:		
Repayment of bank loan	(50)	(401)
Net cash used in financing activities	(50)	(401)
Net change in cash and cash equivalents	(9,995)	(4,909)
Cash and cash equivalents at the beginning of the period*	37,907	66,611
Translation adjustment	(208)	4
Cash and cash equivalents at the end of the period*	27,704	61,706

* In the consolidated balance sheet the cash and cash equivalents as of March 31, 2008 and 2007 include restricted cash of T€ 273.

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2008

1. Corporate Information

The interim condensed consolidated financial statements of Jerini AG (“the Company” or “Jerini”) for the three-month period ended March 31, 2008, were authorized by the Management Board for issue on May 13, 2008.

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

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim financial report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU. The interim financial report has been prepared under the assumption, that the company will continue as a going concern. The same accounting policies and methods of computation are followed in the interim financial report as in the consolidated financial statements of December 31, 2007, except for standards and interpretations where a first time application was required for fiscal years beginning on or after January 1, 2008 and which are endorsed by the EU (i.e. IFRIC 11 IFRS 2 – Group and Treasury Share Transactions). New IFRS standards and interpretations applicable for periods starting January 1, 2008 have had no material impact on the interim financial report of March 31, 2008. The selected explanatory notes to the consolidated interim financial statements do not include all the information and disclosures required in the consolidated annual financial statements as of December 31, 2007, and should be read in conjunction with these statements. These financial statements have not been reviewed by our auditors.

Operating results for the three-month period ended March 31, 2008, are not necessarily indicative of results to be expected for the full year ending December 31, 2008. The consolidated financial statements are presented in euros, and all values are rounded to the nearest thousand unless otherwise indicated.

3. Segment Information

The primary segment reporting format is determined to be business segments as the Company’s risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and rendered services, 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 is organized based on the products and services that it offers and operates 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.

Business Segments

The following table presents revenue and profit information regarding the Company’s business segments for the three months ended March 31, 2008 and 2007, respectively. There have been no material changes in segment assets and liabilities.

Three Months Ended March 31, 2008 (In thousands)	JPH	JPT	Elimi- nations	Total
	(€)	(€)	(€)	(€)
Revenues:				
External revenues	1,152	1,304	-	2,456
Inter-segment revenues	26	40	(66)	-
Total segment revenues	1,178	1,344	(66)	2,456
Segment result	(9,299)	195	-	(9,104)
Net finance result				333
Net loss for the period				(8,771)

Three Months Ended March 31, 2007 (In thousands)	JPH (€)	JPT (€)	Elimi- nations (€)	Total (€)
Revenues:				
External revenues	2,692	896	-	3,588
Inter-segment revenues	18	85	(103)	-
Total segment revenues	2,710	981	(103)	3,588
Segment result	(5,427)	1	-	(5,426)
Net finance result				639
Net loss for the period				(4,787)

4. Loss per Share

Basic and diluted loss per share amounts are calculated by dividing net loss for the period attributable to common shareholders by the weighted average number of common shares during the period. As of the reporting date there were no dilutive effects.

5. Trade Accounts Receivable

As of March 31, 2008 and December 31, 2007, the Company's accounts reflected trade receivables in the amount of € 0.7 million and € 0.8 million, respectively.

6. Other Current Assets

On the reporting date March 31, 2008, other current assets amounted to € 0.5 million (compared to € 0.4 million as of December 31, 2007). These assets are composed mainly of VAT amounting to € 0.3 million (December 31, 2007: € 0.3 million) and investment grant receivables amounting to € 0.1 million (December 31, 2007: € 0.1 million).

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

7. Capital Interest Tax Receivable

The Company earns interest on its money market funds and 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 three months ended March 31, 2008 and December 31, 2007, withheld capital interest tax was refundable in the amount of € 1.5 million and € 1.4 million, respectively.

8. Cash and Cash Equivalents

Cash and cash equivalents amounted to € 28.0 million on the reporting date March 31, 2008 and € 38.2 million on December 31, 2007. Cash and cash equivalents include cash of € 8.4 million (December 31, 2007: € 37.9 million), money market funds of € 19.3 million (December 31, 2007: € 0.0 million) and restricted cash for lease deposits of € 0.3 million (December 31, 2007: € 0.3 million).

9. Prepaid Expenses

Prepaid expenses comprising prepaid annual fees for insurance and service contracts are deferred over the term of respective agreements. Prepaid expenses are short term in nature. The increase of the prepaid expenses in the first quarter 2008 to € 0.8 million, compared to € 0.2 million as of December 31, 2007, is mainly due to upfront payments for conventions.

10. Shareholders' Equity

Common Shares

As of March 31, 2008 and December 31, 2007, the Company had 52,534,705 common shares authorized and outstanding.

As of March 31, 2008, common share capital amounted to € 52.5 million consisting of 52,534,705 no par value ordinary bearer shares.

Minority Interest

As losses have been allocated to minority interest as of December 31, 2007, minority interest amounts to € 0.0 million as of March 31, 2008 and December 31, 2007. Losses applicable to the minority interest which exceed the minority interest have been allocated against the majority interest pursuant to IAS 27.35.

11. Share-based Compensation

In the first quarter 2008, the Jerini Ophthalmic, Inc. granted 720.000 stock options from the Jerini Ophthalmic, Inc. stock option plan 2007 to employees, board members and consultants with an exercise price of USD 0.71.

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

	2008	2007
Expected dividend yield	0.0 %	0.0 %
Risk-free interest rate	4.15 %	4.15 %
Expected life	4 years	4 years
Volatility	50.0 %	50.0 %

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

600.000 of the 720.000 granted stock options have an additional payment commitment from the 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 in the balance sheet.

The Jerini AG had stock option forfeitures as a result of employee exits in the first quarter 2008 amounting to 8.131 under the stock option plan 2006/l.

12. Trade Accounts Payable and Other Liabilities

As of March 31, 2008 and December 31, 2007, the trade accounts payable and other liabilities amounted to € 10.3 million and € 11.1 million, respectively.

All liabilities are due in less than twelve months after the balance sheet date except for anticipated rent increases for offices as well as the additional payment commitment for stock options. Management considers the carrying amount of trade payables to approximate their fair value.

13. Upfront and Prepaid Research Fees

Non-refundable upfront licensing fees and certain guaranteed, time-based payments require continuing involvement in the form of research and development, manufactur-

ing, or other commercialization efforts by the Company. As of March 31, 2008 and December 31, 2007 upfront and prepaid research fees amounted to € 0.8 million and € 0.9 million, respectively. Included is an upfront payment of Baxter AG resulting from a collaboration agreement concluded in January 2008

14. Subsequent Events

The expected European Commission approval in June will trigger a four million milestone expense to sanofi-aventis as soon as formal marketing authorization is gained in the first European member state. The milestone will be due within twelve months after the triggering event.

Directors' Dealings

As of April 30, 2008, the company reported that on April 25, 2008, Jens Schneider-Mergener purchased 6,700 shares of the Jerini AG at a share price of € 1.50.