

Jerini Aktiengesellschaft
Half Year Financial Report
2007

JERINI

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INTERIM MANAGEMENT REPORT

Overview

In the second quarter of 2007, Jerini continued to focus on completing its marketing authorization applications for filing with the US Food and Drug Administration (FDA) and European Medicines Evaluation Agency (EMA) for Icatibant in the treatment of hereditary angioedema (HAE). At the end of July, the company submitted its Marketing Authorization Application (MAA) to the EMA and expects to announce notification regarding filing acceptance shortly. Jerini has been granted accelerated assessment status by the agency's Committee for Medicinal Products for Human Use (CHMP), which shortens the regulatory review period from 210 to 150 days and is granted to drug candidates addressing major public health interest and therapeutic innovation. Completion of the EMA submission marks a key milestone for Jerini as it moves towards its goal of launching Icatibant in North America and Europe in 2008.

On July 13, 2007, Jerini reported the FDA's acceptance of the Investigational New Drug (IND) application submitted by Jerini's wholly-owned subsidiary, Jerini Ophthalmic, Inc., for JSM 6427 in the treatment of age-related macular degeneration (AMD). Acceptance of the IND will allow Jerini Ophthalmic to begin Phase I testing of JSM 6427, currently planned for October 2007. A product of Jerini's Peptides-to-Drugs (P2D) technology platform, JSM 6427 is a small molecule being developed by Jerini Ophthalmic to prevent the progression of dry AMD to wet AMD, an unmet medical need affecting approximately 600,000 patients in the United States. Jerini Ophthalmic whose focus is the rapid development of novel, highly specific therapeutics for eye diseases and extended-release formulations for chronic eye diseases, will be developing select compounds from Jerini's P2D technology platform that target pathways associated with ophthalmic disease indications.

Outlook

Further developments planned for the remainder of 2007 include the third quarter completion of the FDA marketing authorization application and the start of Phase I clinical testing of JSM 6427 for the treatment of AMD.

Following its acquisition of Kos Pharmaceuticals in December 2006, Abbott acquired the licensing agreement for the North American marketing rights to Icatibant in the treatment of angioedema. Jerini is currently in late stage discussions with Abbott in

connection with the licensing agreement and expects to conclude these discussions shortly.

In preparation for Icatibant's planned European launch, Jerini is establishing commercial infrastructures and implementing pre-marketing programs. The company's expanding sales team works closely with regional patient organizations, opinion leaders, and HAE-treating physicians to help raise awareness of HAE, Icatibant, and Jerini as a company. Regional HAE patient organizations play a key role in providing patients with information on their disease and on upcoming treatment options. Led by Jerini's commercial directors and key account managers, the company is conducting market research, participating in national and international medical conferences, targeting publications in scientific media, and attending national patient meetings throughout the EU. The commercial team will also work closely with national reimbursement authorities to ensure Icatibant's full reimbursement following EU marketing authorization. Jerini is also in the process of finalizing the logistics to ensure Icatibant's efficient distribution following approval.

Management forecasts a net cash burn of approximately € 40 million for 2007 and a further increase in operating loss compared to 2006. Clinical development expenses, market launch preparations, and further development of other preclinical programs are the main factors behind higher cash burn and spending in 2007 as compared to 2006.

Second Quarter 2007 Compared to Second Quarter 2006

Total revenues for the second quarter 2007 increased by 8.9 percent to € 3.3 million (compared to € 3.0 million in the prior year period). Revenues from collaboration agreements remained almost unchanged at € 2.1 million (prior year period: € 2.2 million). Revenues from product sales, generated by Jerini's wholly-owned subsidiary JPT Peptide Technologies GmbH, increased to € 1.2 million (prior year period: € 0.8 million), attributable mainly to the expansion of the production capacities and the acquisition of new key customers. Research and development expenses increased in the second quarter to € 6.3 million (compared to € 5.6 million in the prior year period) as a result of expenses for an Investigational New Drug (IND) application and the start of a Phase I trial for JSM 6427 in the treatment of AMD, expenses for the submission of US and EU marketing authorization applications for Icatibant in the treatment of HAE, and the continued advancement of other projects. General and administrative expenses increased to € 2.5 million (prior year period: € 1.9 million) due to the hiring of new employees and higher legal and consulting fees. Marketing and sales expenses

remained unchanged. The loss from operations before tax and finance cost (EBIT) increased, as anticipated, to € 7.8 million (compared to € 6.8 million in the prior year period). Net loss for the second quarter 2007 amounted to € 7.3 million (compared to € 6.3 million in the second quarter 2006). Loss per share for this period amounted to € 0.14 (prior year period: € 0.12).

First Six Months 2007 Compared to First Six Months 2006

Total revenues for the six-month period ended June 30, 2007 increased by 10.0 percent to € 6.9 million (compared to € 6.3 million in the prior year period). Revenues from collaboration agreements remained unchanged at € 4.8 million. Revenues from product sales, generated by Jerini's wholly-owned subsidiary JPT Peptide Technologies GmbH, increased by 37.7 percent to € 2.0 million (prior year period: € 1.5 million) due mainly to expansion of the production capacities and acquisition of new key customers. Research and development expenses remained unchanged in the first six months of 2007 at € 11.6 million (compared to € 11.5 million in the prior year period). General and administrative expenses increased by € 1.1 million to € 4.7 million (prior year period: € 3.6 million), mainly attributable to the hiring of new employees and increased legal and consulting fees. Marketing and sales expenses increased to € 3.0 million (compared to € 2.5 million in the prior year period) mainly due to the hiring of key account managers and the conference and travel costs associated with the Icatibant's planned market launch in 2008. The loss from operations before tax and finance cost (EBIT) increased, as anticipated, to € 13.2 million (compared to € 12.1 million in the prior year period). Net loss for the six-month period ended June 30, 2007 amounted to € 12.1 million (compared to € 11.0 million for the first six months 2006). Loss per share for this period amounted to € 0.23 (prior year period: € 0.21).

Financial Position and Cash Flow

Fixed assets for property, plant, equipment, and intangible assets decreased by 8.9 percent in the first six months of 2007 to € 4.9 million (December 31, 2006: € 5.3 million), due to regular depreciation. The decrease in trade receivables by 31.1 percent from € 1.1 million in the previous year period to € 0.7 million in the first six months of 2007 is mainly due to the decrease in accounts receivables from the sale of research data to sanofi-aventis. Cash and cash equivalents decreased by € 13.2 million from € 66.9 million to € 53.7 million in the first six months of 2007. Due to repayment, bank loans decreased from € 1.0 million to € 0.5 million. The decrease in upfront and prepaid research fees by € 2.0 million was mainly attributable to the release of deferred one-time upfront payments from Abbott (formerly Kos) to revenue.

Cash used in operating activities as of June 30, 2007 amounted to € 12.1 million (prior year period: € 13.5 million). Cash and cash-equivalents excluding restricted cash in the amount of € 0.3 million as of June 30, 2007 amounted to € 53.4 million (prior year period: € 81.2 million). Net cash burn for the first six months of 2007 amounted to € 12.6 million (prior year period: € 14.4 million). Net cash burn is calculated by the addition of cash used in operating activities (€ 12.1 million) and cash used in investing activities (€ 0.5 million), as disclosed in the unaudited consolidated cash-flow statements for the six-month period ended June 30, 2007.

Jerini Shares

As of June 30, 2007, the last day of trading in the second quarter, Jerini stock closed at € 3.42 per share compared to € 3.70 per share as of December 31, 2006, representing a 7.6 percent decrease in share value.

Employees

As of June 30, 2007, Jerini had 152 employees (compared to 140 employees as of December 31, 2006). Additional positions are anticipated in the months ahead. The majority of these new positions will be in clinical development, regulatory affairs, and sales areas in preparation for the planned 2008 market launch of Icatibant for the treatment of HAE.

Report on Opportunities and Risks

The opportunities and risks associated with the expected development of Jerini in the remaining months of the year are described in the management report as of December 31, 2006. There have been no significant changes in the opportunities and risks in the reporting period.

Report on Major Related Party Transactions

There have been no major related party transactions in the reporting period.

CONSOLIDATED INCOME STATEMENTS

(In thousands, except share and per share data)		Three Months Ended June 30,		Six Months Ended June 30,	
		2007	2006	2007	2006
(unaudited)	Note	(€)	(€)	(€)	(€)
Revenues:					
Collaboration agreements		2,141	2,241	4,835	4,771
Product sales		1,154	786	2,048	1,487
Total revenues		3,295	3,027	6,883	6,258
Other income		99	110	226	198
Cost of product sales		(497)	(535)	(1,054)	(969)
Research and development expenses		(6,296)	(5,572)	(11,587)	(11,512)
General and administrative expenses		(2,524)	(1,934)	(4,656)	(3,582)
Selling and distribution costs		(1,867)	(1,900)	(3,010)	(2,469)
Other expenses		(28)	-	(46)	-
Loss from operations before tax and finance cost		(7,818)	(6,804)	(13,244)	(12,076)
Finance income		555	525	1,203	1,138
Finance cost		(7)	(34)	(16)	(63)
Net loss		(7,270)	(6,313)	(12,057)	(11,001)
Basic and diluted net loss per share	4	(0.14)	(0.12)	(0.23)	(0.21)
Shares used in computing basic and diluted net loss per share		52,458,471	52,077,231	52,458,471	52,077,231

CONSOLIDATED BALANCE SHEETS

(In thousands) (June 30, 2007 unaudited)	June 30, 2007	December 31, 2006
	(€)	(€)
Assets		
Non-current Assets:		
Intangible assets	192	216
Equipment	4,672	5,124
Total Non-current Assets	4,864	5,340
Current Assets:		
Inventories	65	58
Trade accounts receivable	743	1,078
Other current assets	928	1,238
Capital interest tax receivable	1,098	1,019
Other financial assets	147	134
Cash and cash equivalents	53,675	66,884
Prepaid expenses	251	289
Total Current Assets	56,907	70,700
Total Assets	61,771	76,040

(In thousands) (June 30, 2007 unaudited)	June 30, 2007	December 31, 2006
	(€)	(€)
Liabilities and Shareholders' Equity		
Shareholders' Equity :		
Common shares	52,458	52,458
Additional paid-in capital	71,689	71,119
Foreign currency differences	(117)	5
Retained Loss	(74,803)	(62,746)
Total Shareholders' Equity	49,227	60,836
Non-current Liabilities:		
Trade accounts payable and other liabilities	43	54
Upfront and prepaid research fees	31	650
Government grants	731	737
Bank loans	200	500
Total Non-current Liabilities	1,005	1,941
Current Liabilities:		
Trade accounts payable and other liabilities	6,901	6,956
Upfront and prepaid research fees	3,869	5,203
Government grants	311	395
Bank loans	250	501
Provisions	208	208
Total Current Liabilities	11,539	13,263
Total Shareholders' Equity and Liabilities	61,771	76,040

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except share data) (unaudited)	Common Shares		Additional Paid-in Capital	Foreign Currency Differences	Retained Loss	Total
	Shares	Amount				
		(€)	(€)	(€)	(€)	(€)
Balances as of January 1, 2006	52,077,231	52,077	70,085	-	(39,837)	82,325
Foreign Currency Translation	-	-	-	(1)	-	(1)
Net Loss	-	-	-	-	(11,001)	(11,001)
Total income and expense for the period	-	-	-	(1)	(11,001)	(11,002)
Stock based compensation	-	-	453	-	-	453
Financing Expense	-	-	(707)	-	-	(707)
Balances as of June 30, 2006	52,077,231	52,077	69,831	(1)	(50,838)	71,069
Balances as of January 1, 2007	52,458,471	52,458	71,119	5	(62,746)	60,836
Foreign Currency Translation	-	-	-	(122)	-	(122)
Net Loss	-	-	-	-	(12,057)	(12,057)
Total income and expense for the period	-	-	-	(122)	(12,057)	(12,179)
Stock based compensation	-	-	570	-	-	570
Balances as of June 30, 2007	52,458,471	52,458	71,689	(117)	(74,803)	49,227

CONSOLIDATED STATEMENTS OF CASH FLOW

(In thousands) (unaudited)	Six Months Ended June 30,	
	2007	2006
	(€)	(€)
Operating activities:		
Net loss	(12,057)	(11,001)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	909	768
Amortization expense	24	23
Other interest expense	16	64
Net increase (decrease) of government grants	(90)	99
Employee stock-based compensation	570	453
	(10,628)	(9,594)
Changes in operating assets and liabilities:		
Inventories	(7)	(63)
Trade accounts receivable	335	(78)
Other current assets, capital interest tax receivable, other financial assets and prepaid expenses	256	665
Trade accounts payable and other liabilities	(71)	(109)
Accrued expenses	-	(6)
Restricted cash for lease deposits	-	(13)
Upfront and prepaid research fees	(1,953)	(4,225)
Cash used in operations	(12,068)	(13,423)
Interest paid	(16)	(64)
Net cash used in operating activities	(12,084)	(13,487)
Investing activities:		
Purchases of equipment	(457)	(913)
Purchases of intangible assets	-	(1)
Net cash used in investing activities	(457)	(914)

(In thousands) (unaudited)	Six Months Ended June 30,	
	2007	2006
	(€)	(€)
Financing activities:		
Financing expense	-	(707)
Payment of bank loan	(551)	(137)
Net cash used in (provided by) financing activities	(551)	(844)
Net change in cash and cash equivalents	(13,092)	(15,245)
Cash and cash equivalents at the beginning of the period	66,611	96,490
Translation adjustment	(117)	(1)
Cash and cash equivalents at the end of the period*	53,402	81,244

*In the consolidated balance sheet the cash and cash equivalents as of June 30, 2007 and 2006 include restricted cash of T€ 273.

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2007

1. Corporate Information

The consolidated financial statements for the six-month period ended June 30, 2007, of Jerini AG ("the Company" or "Jerini") were authorized by the Management Board for issue on August 13, 2007.

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 International Financial Reporting Standards (IFRS), including IAS 34 "Interim Financial Reporting". The same accounting policies and methods of computation are followed in the interim financial report as in the consolidated financial statements as of December 31, 2006, and for the year then ended, which were authorized by the Management Board for issue to the Supervisory Board on March 9, 2007 (date of authorization for issuance pursuant to IAS 10.6). The selected explanatory notes to the consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements as of December 31, 2006, and should be read in conjunction with these. New IFRS standards and interpretations applicable for periods starting January 1, 2007 have had no material impact on the interim financial report as of June 30, 2007. These financial statements have not been reviewed by our auditors.

Operating results for the six-month period ended June 30, 2007, are not necessarily indicative of results to be expected for the full year ending December 31, 2007. The consolidated financial statements are presented in euros, and all values are rounded to the nearest thousand unless 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 supplemented by Sec. 315a of the German Commercial Code (HGB) as required for statutory purposes.

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, Jerini US, Inc., Jerini Ophthalmic Holding GmbH together with Jerini Ophthalmic, Inc., 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 six months ended June 30, 2007 and 2006, respectively.

There have been no material changes in segment assets and liabilities.

Six Months Ended June 30, 2007 (In thousands)	JPH (€)	JPT (€)	Eliminations (€)	Total (€)
Revenues:				
External revenues	4,835	2,048		6,883
Inter-segment revenues	35	216	(251)	
Total segment revenues	4,870	2,264	(251)	6,883
Segment result	(13,534)	290		(13,244)
Net finance result				1,187
Net loss for the period				(12,057)

Six Months Ended June 30, 2006 (In thousands)	JPH (€)	JPT (€)	Eliminations (€)	Total (€)
Revenues:				
External revenues	4,771	1,487		6,258
Inter-segment revenues	-	190	(190)	
Total segment revenues	4,771	1,677	(190)	6,258
Segment result	(12,083)	7		(12,076)
Net finance result				1,075
Net loss for the period				(11,001)

4. Loss per Share

Basic 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.

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

5. Subsequent Events

In July 2007, the Company issued 222,012 and 20,901 stock options under the 2006/I and 2005/I plan, respectively. The options have an exercise price of € 3.86 per share. The stock options were issued to employees of Jerini as well as managers and employees of affiliated companies.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim 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 for the remaining months of the financial year.

Berlin, August 13, 2007

Prof. Dr. Jens Schneider-Mergener
(Chief Executive Officer)

Berndt Modig
(Chief Financial Officer)

Dr. Jochen Knolle
(Chief Scientific Officer)

Dr. Adi Hoess
(Chief Commercial Officer)