Annual Report **2002**

november AG

visions you can count on.

november AG focuses its development capacities on product and technology platforms for molecular medicine as well as product and brand protection.
With its "Lab-on-a-Strip", the biotechnology company's directif Diagnostic Solutions division develops integrated systems for rapid, inexpensive and reliable nucleic acid diagnosis both for professional laboratories and doctors' surgeries as well as for point of care applications at the bedside.
The identif Technologies division develops forgery-proof solutions for product and brand protection, e.g. on the basis of DNA.
With their innovative approach to immunotherapy, the activities in the field of molecular medicine of the responsif Therapeutic Solutions division, which from 2003 is being carried on in a separate business, are the third main pillar of our development work.
The most important contribution to revenues of november AG are currently earned by its subsidiary PEQLAB Biotechnologie GmbH in Erlangen. This company develops, produces and sells equipment and reagents for molecular biological research. With innovative products, excellent service and a highly competent sales team, this company has built an outstanding reputation for itself in the world of industrial and academic research.
With its product and technology portfolio, november group is aiming for a leading role in the growing global markets where the Erlangen-based biotechnology company will also set new standards.

Since 1 January 2003, the shares of november have been listed in the Prime Standard Segment of the German Stock Exchange (stock exchange code WKN 676290, ISIN DE0006762909); they were previously quoted on the "Neuer Markt". The share price peaked in 2002 at EUR 9.10 (3 January), while falling to its lowest level of EUR 2.84 on 27 December (both Xetra closing prices). These fluctuations also reflect the general trend in share prices on the "Neuer Markt". Positive revenue and development reports in 2003 and a consolidation in the general market development therefore give cause to expect rising prices in the future, provided they do not continue to be depressed by external influences.

Summary of fundamental financial data of the november group since 1997

(in TEUR, Exceptions: employees, net earnings per share)	1997	1998	1999	2000	2001	2002	Changes 01/02
Revenues	34	206	1,267	1,808	3,695	3,855	4%
Research an development	178	574	1,397	3,294	5,232	6,218	19%
Restructuring						1,272	100%
Operating income/loss (EBIT)	-400	-993	-2,798	-6,301	-8,642	-9,703	12%
Net income/loss	-324	-1,063	-2,924	-4,175	-7,122	-5,924	-17%
Net earning per share as per IAS 33 in EUR	-8,06	-5,64	-2,78	-0,72	-1,07	-0,87*	-19%
Employees (on average of the year)**	6	16	39	69	80	88	10%
Total liquidity	2,716	2,347	2,625	35,034	24,079	15,859	-34%
Shareholders' equity	713	573	951	37,536	32,046	26,122	-18%
Balance sheet total	2,967	3,822	4,311	43,254	35,010	29,583	-16%

* Discounting the restructuring costs, the EPS would amount to -0,75 EUR.

** Starting in 2001, the number of employees has been converted to full time employees.

Strengthening our strengths

DEAR SHAREHOLDERS

Making the right choice – For us, that means identifying those projects and developments that promise a very high likelihood of outstanding business success in the near future. In a dynamic market environment, however, this also means being willing to embark on new approaches which will bring us more quickly or with lower risks to the intended goal or which help to significantly enhance our opportunities. In keeping with this principle, november AG once again further optimized its position last year by focussing and restructuring its activities. This was also most recently reflected in the announcement to spin off the responsif Therapeutic Solutions division as a separate company - thereby reducing risks, and improving opportunities.

Until two or three years ago, the expectations placed by the market in modern biotechnology were to some extent highly exaggerated. Only few people were aware of just how long and difficult the path to biotechnological and other such developments is. And still today, investors in biotechnology need patience and the necessary knowledge to invest in promising developments at the right time. In the meantime, however, the euphoria has given way to a likewise highly exaggerated sense of disillusionment and pessimism. So in the short to medium term, we can expect a more realistic correction of the under-valuation of shares through a natural rebound effect.

Compared to many companies in the industry, november AG now has only a foreseeable distance left to go. We have a unique product mix, consisting of classical life science products on the one hand, such as human diagnostic test procedures (directif Diagnostic Solutions) and innovative treatment approaches in the field of immunotherapy, now at the separate responsif GmbH company, and on the other hand industrial problem solutions for product and brand protection. These "identif Technologies" are already fully developed to market readinesss, so that these unique systems were able to be launched on the market in the middle of last year. With them, we can offer every company in virtually every sector of industry an effective instrument of protection against counterfeits as well as for the monitoring of distribution channels, which presents excellent prospects for substantial growth in both revenues and earnings. november AG is therefore now in the classical transitional phase from a research and development company to one with an increasing sales orientation.

We are especially proud that, in Bristol-Myers Squibb, we succeeded last year in winning a first pilot customer for the brand protection system of our identif Technologies division. Other firms are also showing a keen interest in this DNA-based technology. We have, for instance, with another potential key client, specified the design of an extensive field study which is due to begin in the first quarter of the current year. In regard to another of our brand protection products, namely brand sealing (robust cluster markings, also from our identif Technologies division) which is applied to surfaces that are subject to heavy wear, we are close to successful completion of a feasibility study started a year ago in collaboration with Infineon Technologies AG.

Our cooperation with Siemens AG has proved extremely fruitful not only in the identif Technologies field, but also in the area of directif Diagnostic Solutions: it was

Dr. Thomas Schulze Dr. Wolf M. Bertling

possible to conclude the development of microfluid functional models in the last financial year and to start on the production of a functionally integrated prototype.

The research-intensive therapy division - responsif Therapeutic Solutions - has undergone strategic and structural realignment. In the past year, we achieved significant project progress in the development of our therapeutic protein for stimulation of the immune system to combat tumors. As this area allows considerably faster entry into the clinical trials phase as compared to the drug delivery project (transport of active ingredients using artificially produced virus envelopes), we have significantly reduced the drug delivery activities in favor of immunotherapy and thus substantially lessened the risks of parallel development for clinical trials. In early 2003, we spun off the entire therapeutic business together with the field of Biological Labeling into a new company, responsif GmbH. Focussing the activities of this company on the development of promising new therapeutics will facilitate access for strategic partners and investors. It will also reduce the risks of our financial investments but without lessening the chances for november's shareholders, for the participation agreement will allow november AG to share disproportionately in the development of immunotherapy.

Consolidated liquidity as one of the key steering indicators for the november group fell very much less than in 2001, reflecting an increase in efficiency and cost awareness within the group. On the other hand, it also reflects the fact that a number of cost-intensive measures were successfully completed. In the past financial year, the consumption of financial resources amounted to EUR 8.2 million and therefore, despite a sharp increase in R&D expenditure (19 percent), a higher mean number of employees (10 percent) and market launch costs of EUR 0.7 million for identif Technologies which occurred for the first time in the year under review, was less than the total consumption of financial resources of the previous year of EUR 10.9 million.

In the past year, the share price of november AG was unable to buck the trend of the general fall on the stock market. Various factors upset the faith in stock markets globally. At the start of 2003, however, november AG is in a sounder position than ever to turn its highly innovative and promising products into business success within the near future. The prospects for a recovery in the price of the company's shares, which since 1 January 2003 have been listed in the new Prime Standard Segment of the German Stock Exchange, are therefore also equally sound.

With the intensification of its sales activities in the coming months, november AG is now turning into the “home straight” for the marketing of its proprietary products and therefore has good prospects for being able to thank you for your confidence in our company with an increased share price.

We would also like to take this opportunity to express our particular appreciation to all our staff for their successful work and efforts in the past year.

Dr. Wolf M. Bertling
Dr. Thomas Schulze

Report of the supervisory board

A new supervisory board of november AG was appointed at an extraordinary general meeting on December 30, 2002. The previous members of the board resigned their offices with effect as of December 30, 2002. The shareholders elected the following persons onto the supervisory board: Günter Frankenne, Horst Linn, Prof. Dr. Dr. h.c. Karl Wilhelm Pohl, Dr. Werner J. Schönfeld, Walter Schurmann and Dr. Leo Steib. Dr. Steib already belonged to the old supervisory board. At its constituting meeting at the end of 2002, the supervisory board elected Prof. Pohl as its chairman and Dr. Steib as deputy chairman.

At its meetings during the year under review, the supervisory board performed the duties incumbent upon it according to statutory provisions and the company's statutes. It monitored and advised the company's executive board.

At five meetings during the past financial year, the executive board informed the then supervisory board on the progress of business and the situation of the company and the subsidiary company. The chairman of the supervisory board maintained regular contact with the executive board, and in particular with its chairman, and discussed the strategy, business development and risk management of the company. The chairman of the supervisory board was also kept regularly informed by the executive board of significant developments and decisions. All measures requiring the consent of the supervisory board were discussed in detail.

Besides current business developments, the main subjects of deliberation during the financial year 2002 were careful analysis of the project and product portfolio and ensuring sufficient liquidity in the near and medium-term future until the achievement of break-even. In terms of corporate strategy, the supervisory board and executive board resolved to give even greater prominence to the near-to-market identif Technologies division in future. Both bodies also accord outstanding importance to the directif Diagnostic Solutions and responsif Therapeutic Solutions divisions with the research and development focus on tumor vaccination. To lessen the strain on resources, the supervisory board also supported the executive board in its decision to reduce expenditures in the fields of Drug Delivery and Biological Labeling and to organizationally restructure the entire therapeutic business.

In the past year, the supervisory board set up three expert committees: an accounting and audit committee, a human resources committee, and a portfolio committee; the new supervisory board will retain these committees in keeping with the Corporate Governance Code.

The new supervisory board and the executive board have adopted a declaration on the Corporate Governance Code pursuant to Article 161 of the German Companies Act and published this for the shareholders on the company's homepage by the end of last year.

The annual financial statements of november AG and the consolidated financial statements as at December 31, 2002 as well as the management report of november AG and the consolidated management report for the financial year ended December 31, 2002, together with the bookkeeping and accounts, have been audited by Wirtschaftstreuhand GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart.

The auditor has confirmed that the bookkeeping and annual financial statements as at December 31, 2002 are in compliance with German law, that the annual financial statements have been prepared in accordance with good accounting practice and provide a true and fair view of the financial and earnings situation of the company, and that the management reports accurately reflect the annual financial statements. The auditor thereupon certified the annual financial statements without reservations. All members of the supervisory board received the aforesaid documents, the proposal of the executive board concerning appropriation of the deficit for the period as well as the reports of the auditor in good time before the balance sheet meting. The supervisory board itself also examined these documents. On March 21, 2003, the results of the audit were discussed in detail with the executive board at the meeting of the supervisory board in the presence of the auditor, who reported on the main findings of his audit. At the meeting, the executive board explained the annual financial statements in detail.

The annual financial statements and the audit reports met with no objections.

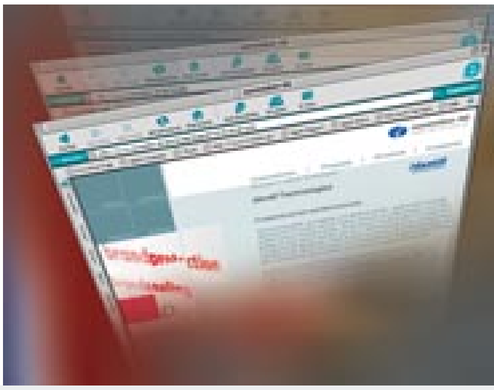
The supervisory board approves the annual financial statements and the consolidated financial statements. The annual financial statements are therefore deemed adopted according to Article 172 of the Companies Act. The supervisory board concurs with the proposal of the executive board to carry the deficit for the period forward to the new account.

The supervisory board wishes to thank the executive board and all employees of the company for their excellent cooperation and commitment and for the positive development of the company during the past year.

Prof. Dr. Dr. h.c. Pohl
Chairman of the supervisory board
Erlangen, 21 March 2003

Corporate Governance Principles of november AG

(declaration of conformity pursuant to Article 161 of the Stock Corporation Act (AktG)



FOREWORD

The Executive Board and the Supervisory Board of november AG appreciate the German Corporate Governance Code (http://www.corporate-governance-code.de) and oblige themselves to largely adhere to the recommendations of the code.

The Corporate Governance Principles also apply to the november group. The Executive and Supervisory Board will ensure its enforcement.

The German Corporate Government Code allows to deviate from single published recommendations.
This enables companies to reflect sector and enterprise-specific requirements. These deviations have to be disclosed and explained annually ("comply or explain"). The deviations of november AG are listed and explained hereafter, including parts of the original recommendations. Numbers in brackets refer to the numbering within the German Corporate Governance Code.

Information regarding the Supervisory Board refer to the situation as of December 30th, 2002. On 2002-12-30, the shareholders of november AG have elected a new Supervisory Board. The position of the Chairman of the Supervisory Board will be appointed in the beginning of 2003. Committees, especially the Audit Committee, will be established soon afterwards, too.

1. COOPERATION BETWEEN EXECUTIVE BOARD AND SUPERVISORY BOARD (3.8)

"The Executive Board and Supervisory Board comply with the rules of proper corporate management. If they violate the due care and diligence of a prudent and conscientious Managing Director or Supervisory Board member, they are liable to the company for damages. If the company takes out a D&O (directors and officers' liability insurance) policy for the Executive Board and Supervisory Board, a suitable deductible shall be agreed on."

Deviation: The Executive Board and the Supervisory Board hold the view not to agree on a deductible.

Explanation: november AG has concluded a D&O insurance for the Executive Board and the Supervisory board. The policy contains neither a premium participation nor coinsurance provisions. The policy excludes liabilities caused by deliberate acts. november AG acts within a legal framework that is comparable to the framework of medium and larger listed companies. These companies have the appropriate size to implement legal departments of a dimension which enables them to evaluate all juridical acts with respect to their legal consequences even at the preliminary stage. november AG, in comparison, only has limited resources due to size and costs. In order not to quench the willingness of decision making within a dynamic sector, the Executive Board and the Supervisory Board are of the opinion not to agree on a deductible. Of course, this does not affect the mandatory compliance with all statutory conditions.

2. SUPERVISORY BOARD, COMPOSITION AND COMPENSATION (5.4.5)

"Compensation of the members of the Supervisory Board is specified by resolution of the General Meeting or in the Articles of Association. It takes into account the responsibilities and scope of tasks of the members of the Supervisory Board as well as the economic situation and performance of the enterprise. Also to be considered here shall be the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees."

Deviation: There is no compensation for the Chair position in the Supervisory board or the membership in committees.

Explanation: Three committees have been formed by the Supervisory Board of november AG, based on professional qualification: an accounting and audit committee, a human resources committee, and a portfolio committee. Each committee is formed by two members of the Supervisory Board. The compensation for members of the Supervisory Board is governed by november AG's Articles of Association. They do not provide a compensation for exercising the Chair or a membership in committees.

3. TRANSPARENCY (6.8)

"Information on the enterprise which the company discloses shall also be accessible via the company's internet site."

Deviation: Additional information on the company like presentations or statements that exceed the compulsory publications, press releases, and general company information, will only be published on the companies internet site if the information is relevant for the financial community.

Explanation: On its homepage, the company presents an extensive range of information. The Executive board and the Supervisory Board of november AG are of the opinion that additional information should only be published on the company's homepage if the information is of interest for the financial community and had not already been published on the homepage in a different context. This will reduce the danger of information overflow.

Erlangen, December 30^{th}, 2002

Executive board Supervisory Board

Highlights 2002

MARCH

november AG among "Bavaria's Best 50"
november AG receives a distinction by Bavarian Economics Minister Dr. Otto Wiesheu as one of Bavaria's 50 most dynamically growing SME's.

Development cooperation with the Federal Printing Office (“Bundesdruckerei”)
november AG causes a stir at CeBIT 2002 with the presentation of a DNA-based security stamp. The system was developed in collaboration with the German Federal Printing Office and allows the forgery-proof marking of security-relevant customs and international trade documents and certificates, contracts, passports, visas and automobile service record booklets.

„Watermark“ for Infineon-chip card modules
In a one-year project, november AG tests the marking of chip card modules using cluster technology. Modules of this kind are used, for instance, in cash cards, mobile phone or telephone cards.

JULY

Distinction in the Bavarian Innovation Prize
november AG is one of the finalists in the competition for the Bavarian Innovation Prize 2002 and is awarded a EUR 5,000 Special Recognition Prize by Bavarian Prime Minister Dr. Edmund Stoiber for the development of DNA labels against product piracy.

S E P T E M B E R

Labeling of drug packaging for Bristol-Myers Squibb

Bristol-Myers Squibb GmbH, the German arm of the world's fifth biggest pharmaceuticals company, is the first reference customer for november's brand protection system. Within the scope of an extensive field trial, it is intended to completely track the path of a drug from the manufacturer to the patient with the aid of the DNA labels.

O C T O B E R

Focussing on Immunotherapy

In the therapy field, november AG will concentrate on immunotherapy approaches to the treatment of cancer. This demonstrates the consistent focus of efforts on the approach which has progressed furthest in preclinical development, enabling an earlier start to clinical trials.

D E C E M B E R

Study on vaccine labeling completed

november AG concludes a study commissioned by one of the leading makers of animal vaccines with the aim of using Biological Labeling as a compliance marker in order to distinguish vaccinated animals from unvaccinated ones.

Election of new supervisory board

At an extraordinary general meeting on December 30, the shareholders resolve with an over 90 percent majority to elect a new supervisory board. The new supervisory board will support november AG in marketing its technologies.

Listing in the Prime Standard Segment

Already before the end of the year, november AG's shares are admitted for listing in the Prime Standard Segment of the German Stock Exchange. As a requirement for this listing, the company undertakes to continue to apply the highest transparency standards, hereby underlining its aim to further strengthen the confidence of investors in november's shares.

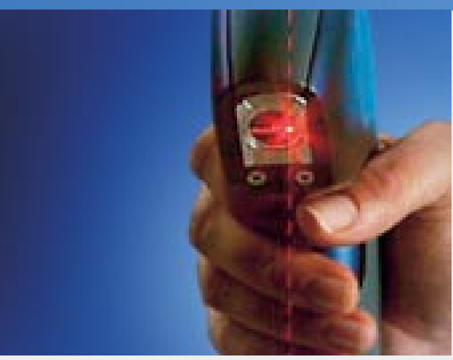
identif Technologies

To secure globally traded products against counterfeiting and also put a stop to illegal overproduction, november AG has developed the *brandprotection* and *brandsealing* systems, which open up hitherto unattainable possibilities in the field of product and brand protection. In addition, our systems can also be used as logistics tools for monitoring delivery and distribution chains. Herein, we are working in cooperation with international companies such as Siemens Automation and Drives or Infineon Technologies AG.

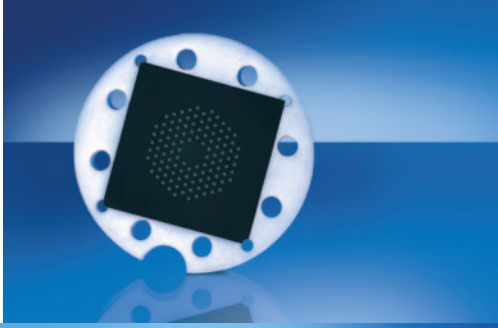
The basis of the *brandprotection* systems is our patented DNA identification technology. DNA codes for a specific product or manufacturer are, for example, incorporated into an adhesive label - the *brandprotection* label. The second system - *brandsealing* - is based on a patented technology that uses metal clusters on a nanometer scale to create machine-readable codes that can be read out an unlimited number of times. Customizable optical codes are integrated e.g. into adhesive labels with the aid of thin film technology or applied directly to the product to be protected.

With both systems, the read-out of specific identification data is done using easy-to-operate hand-held scanners. This means that counterfeited or unauthorized products can be identified on-site, within seconds, and with maximum reliability. On the present state of the art, neither system can be decoded, thus opening up a completely new level of anti-counterfeit security for products.

Product piracy and brand violation is a global problem. According to studies of the International Anti-Counterfeiting Coalition, counterfeit products currently account for about seven percent of world trade. According to the OECD, this is equivalent to a financial loss of some EUR 300 billion per year. The Association of American Drugs Manufacturers estimates the damage caused in the field of pharmaceuticals/cosmetics alone at about US$ 5 billion. And another problem which is just as great is unauthorized “gray” overproduction, i.e. production by suppliers of excess quantities of original products which are smuggled into the distribution chain without being officially accounted for.



directif Diagnostic Solutions

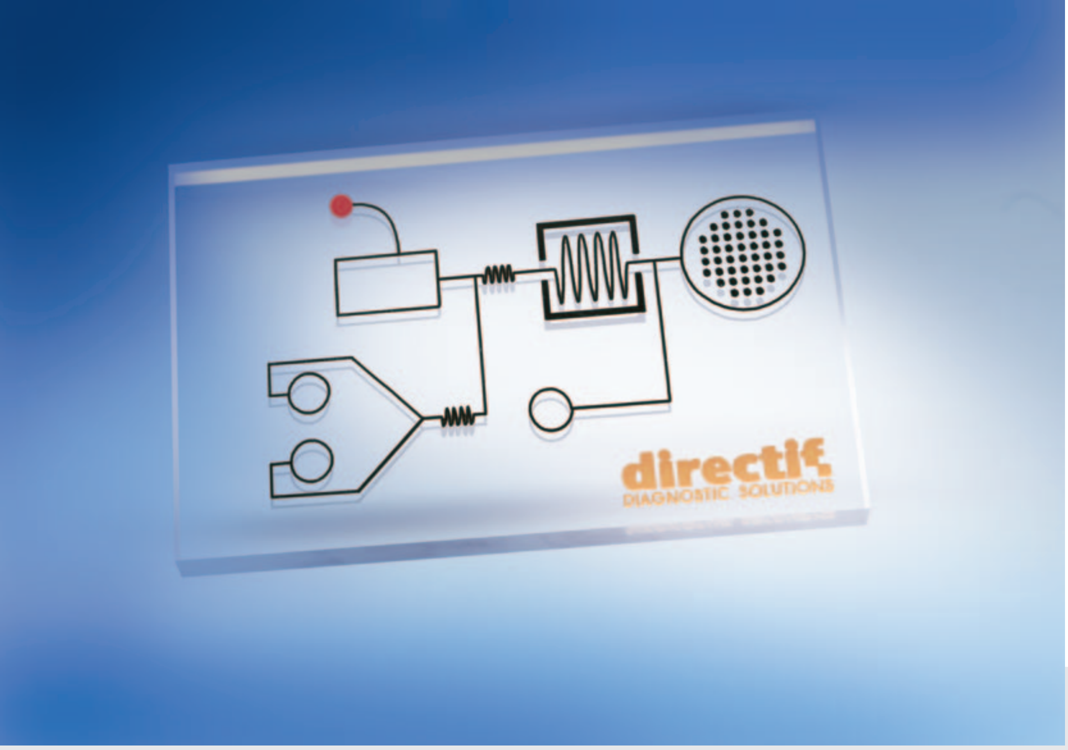


In collaboration with Siemens Medical Solutions, november AG is developing the world's first fully automated molecular analysis system for near-patient nucleic acid diagnosis, the so-called Lab-on-a-Strip.

The product family is being developed not only for use in hospitals and medical consultants' practices, but also for mobile applications in food and environmental analysis. It is universally utilizable and is designed to enable fast, reliable and early identification of viral or bacterial pathogens, tumor-related mutations or genetic risk factors.

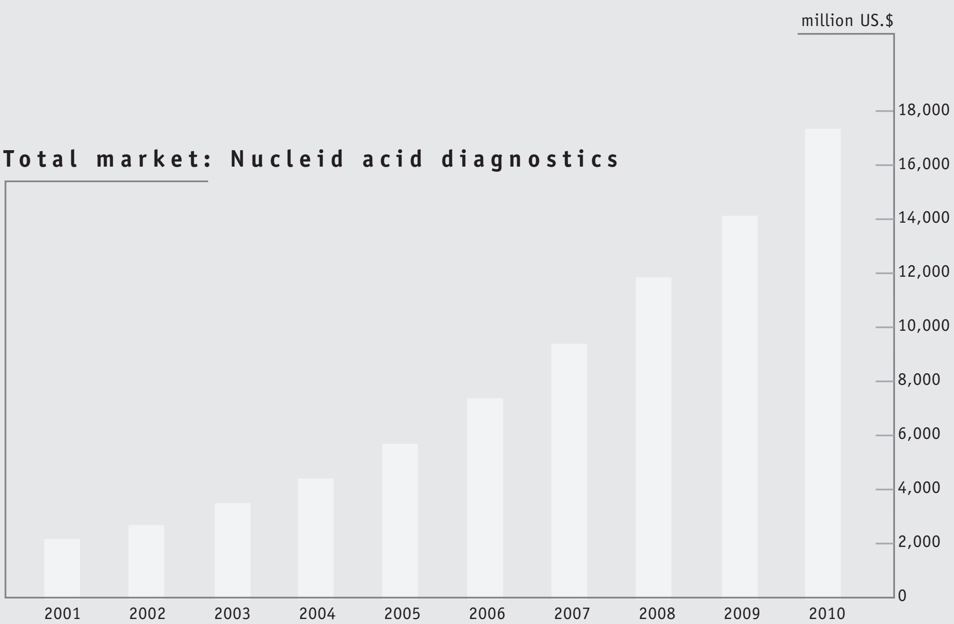
As the first system of its kind in the world, it will allow testing without the need for a costly laboratory infrastructure or specialist personnel. It has also been possible to accelerate the analysis time to less than two hours and to cut the costs per analysis dramatically

The technological basis for this product family is november's innovative electrochemical detection process and the integration of all the analysis steps in a plastic cartridge the size of a credit card. To date, the patented process currently allows qualitative analysis of up to 99 different nucleic acids per sample.



Nucleic acid diagnosis is an attractive, rapidly growing market. In 2001, the market volume for nucleic acid diagnosis was worth about US$ 2 billion. Up to the year 2010, the experts at Frontline Strategic Consulting expect average annual growth rates of more than 25 percent. This means that by 2010, the world market for nucleic acid diagnosis will amount to over US$ 16 billion.

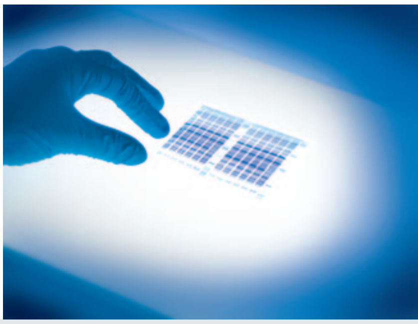
Total market: Nucleid acid diagnostics



CAGR 2001-2010=26.1%

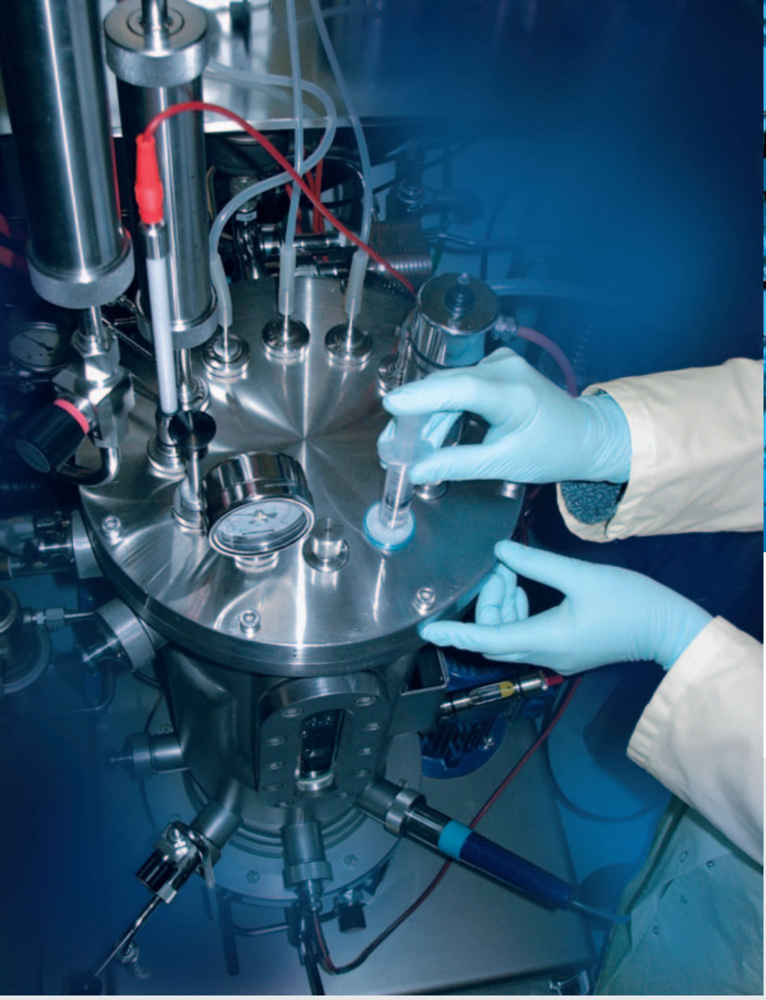
Source: Frontline Strategic Consulting, Inc., 2001

responsif Therapeutic Solutions



In its therapy business, the focus of november AG's work is on innovative systems to combat cancer using immunotherapy. Tumors are only able to grow if they succeed in outwitting the body's immune system, in which case they can then spread virtually unhindered. The aim of immunotherapy is, therefore, to trigger an immune response to cancer cells. For this purpose, november AG is developing marker molecules which have the ability to specifically mark pathogenic cells and so render them recognizable to the body's immune system.

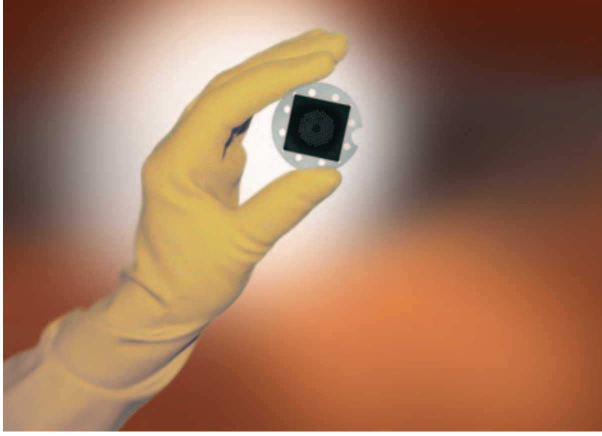
The basis for the highly specific immunotherapy developed by us are cancer cells taken from tumors removed surgically from the respective patient. These are first inactivated, i.e. rendered harmless. They are then treated with the agent developed by november AG and reinjected into the patient. Once in the patient, these marked cells trigger a specific immune response, causing any tumor cells remaining in the body, e.g. metastases, to be attacked by the immune system.



The market for immunotherapy approaches in cancer treatment is estimated at around EUR 500 million for individual indications. november AG aims to market the active ingredient jointly with a strong partner in the pharmaceuticals industry from the year 2009.

To facilitate the entry of strategic partners and investors, the therapy business was spun off into a newly formed company, responsif GmbH on February 21, 2003 effective on January 1, 2003. This step will also relieve november AG of financial and development risks without lessening the interests of the shareholders. This strategic decision will therefore reduce the risks, while increasing the opportunities.

Building on our strenghts for sustained success



In 2002, for the second year in a row, gross domestic product in Germany again grew at a rate of less than one percent. The investment volume fell in real terms by more than six percent (source: Federal Statistics Office). This deterioration in the overall economic environment also had its effects on the biotechnology industry. Especially hard hit by the investment and spending caution in the pharmaceuticals industry were those biotech firms which address the drug companies as development partners or customers.

By concentrating on activities of interest to the industry, such as product and brand protection, and thanks to established cooperations with partners such as Siemens AG, november AG is only partially exposed to the developments described above.

CONTINUING WEAKNESS IN THE MARKET ENVIRONMENT

For publicly quoted biotech firms, the downward trend on the stock markets was even faster than already experienced in 2001: the Nemax Biotechnology Index recorded losses in the year 2002 of more than 70 percent.

According to initial estimates, the total investment volume of the German venture capital market last year was at the level of 1998, i.e. before the IT and biotech boom. Consequently, many firms failed in their efforts to raise follow-on funding. For nearly all biotechnology companies, therefore, liquidity levels and the cash burn rate, apart from the question of feasibility of their business model, have become the crucial factors for their survival and for sustained, long-term success.

SUCCESS CRITERION: LIQUIDITY

With total liquidity of EUR 15.9 million as at December 31, 2002, november AG has an adequate cushion of financial resources to enable it to reach the development goals in its various business divisions. The consumption of financial resources in the past year amounted to EUR 8.2 million, i.e. significantly down from the previous year (EUR 10.9 million).

RESEARCH AND DEVELOPMENT

With our product and technology platforms, we are aiming to achieve a leading worldwide role on various growth markets. Together with our industrial partners, our interdisciplinary project teams are developing customer-oriented solutions and bringing them as quickly as possible to market readiness.

In the **directif Diagnostic Solutions** division, november AG is developing integrated systems based on an innovative electrochemical detection process for rapid, inexpensive and reliable nucleic acid diagnosis in the laboratory, in doctor's surgeries and even at the bedside.

LAB-ON-A-STRIP ONLY THE SIZE OF A CREDIT CARD

In the year 2002, initial functional models were developed for the most important component of the system: a replaceable plastic cartridge for one-time use, and only the size of a credit card. Despite its small size, the cartridge is able to perform all the steps that normally have to be done in a laboratory, from preparation of the sample and amplification of the genetic material to

identification of a nucleic acid associated with a particular illness. Different cartridges will be provided in future depending on the symptoms of the illness.

The heart of the cartridge is an electrochemical biochip developed by november AG, which with currently 99 clustered carbon-plastic electrodes is able to detect even small amounts of genetic material.

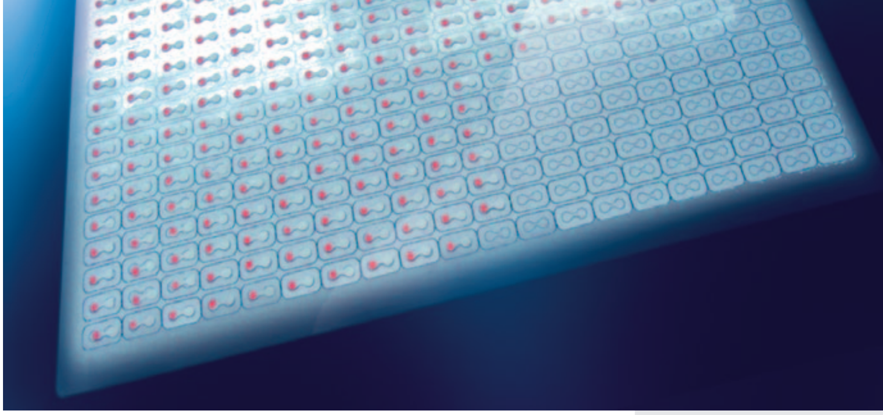
Because of the small size of the chip modules, one of the special challenges is ensuring the ability to deal with smallest amounts of samples and reagents. In this area, november AG has been cooperating since 2002 with a specialist in the field of microfluidics. In developing the read-out unit, november AG is also working closely with the Medical Solutions division of Siemens AG. Under a cooperation agreement concluded in 2001, Siemens is developing the control electronics and electromechanics for this small device. The intention is also to distribute the jointly developed product through specialist market partners worldwide, together in future.

At the start of the fourth quarter of last year, the directif Diagnostic Solutions division was decisively strengthened by the appointment of a divisional director with many years of industrial experience in the field of development and marketing of analysis systems for the detection of nucleic acids.

In the **identif Technologies** division, november AG develops innovative solutions for product and brand protection, e.g. *brandprotection* on the basis of DNA or *brandsealing* using very thin films in which nanoscopic gold particles are embedded.

COMPLEMENTARY SYSTEMS FOR MAXIMUM SECURITY

The DNA used in *brandprotection* is invisible for the customers. It is therefore described as a concealed (covert) security feature that can only be rendered visible by using a scanner. In contrast to this, *brandsealing* cluster markings are visible (overt) security features. They change color when viewed from different angles and, because of their special spectral properties, are machine-readable and therefore superior to holograms, for example. Depending on customer needs, therefore, *brandprotection* and *brandsealing* are complementary systems which can be used either separately or in combination. Through automatic on-site inspection, we therefore offer customers, for the first time, the possibility of forgery-proof protection against product piracy as well as an instrument for effective monitoring of distribution channels. The package of solutions offered by november AG consists of customized markings and mobile scanners. The scanners are being developed jointly with Siemens Automation and Drives and are integrated into the MOBY product line from Siemens.



Product development for *brandprotection* was concluded in the year 2002. Additionally, a trust center was set up for the secure production and administration of the customized DNA codes. Meanwhile, suitable partners have been found for the series production of labels for different applications. Together with the Federal Printing Office, we have also developed and already patented a security stamp based on *brandprotection* technology which will be used in particular for documents.

BRISTOL-MYERS SQUIBB FIRST CUSTOMER FOR DNA LABELS

The market launch activities of november AG are based both on partnership with security system companies and agents with experience on the particular market as well as on direct sales. To this end, initial key account management structures were established during the year under review, and marketing was begun. Our sales strategy is to address big customers in particular with our products and so take advantages of economies of scale, with falling production costs for large production volumes.

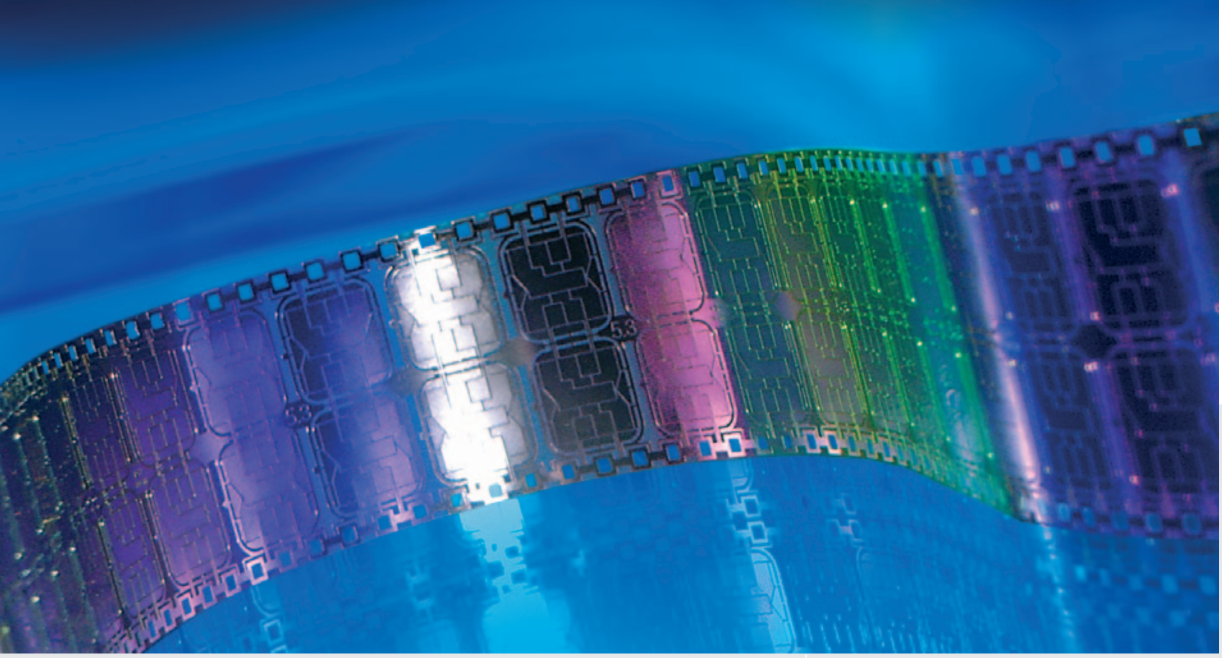
Before commercially profitable long-term supply contracts can be concluded with industrial-scale manufacturers of brand and security-relevant products, it is normally necessary to develop a customized system solution and integrate this into the customer's value chain. As a rule, these two work steps take several months.

The pharmaceutical industry is one of the most important sales markets for our DNA labels. With Bristol-Myers Squibb GmbH, Munich, we have been able to gain our first customer in this industry. Bristol-Myers Squibb will test monitoring of the distribution channel for a blockbuster drug in a field trial scheduled to run until about mid-2003.
The design of a similar field study in threshold countries has also been defined with another key account in the pharma industry. The decision on the start of the study is expected to be taken at the end of the first quarter. As this study, for which november AG will be paid, is very extensive, however, the conclusion of a commercial contract is not to be expected with before the third quarter of the current year.

TECHNOLOGY STUDY WITH INFINEON

In the field of the *brandsealing* cluster markings, the research and development activities of november AG in 2002 concentrated on adjusting the coating process to a wide range of tasks. For this purpose, a pilot coating plant has already gone into operation. A one-year technological study on the production of "watermarks" for chip modules on behalf of Infineon Technologies AG is near to completion. Modules of this kind will be used, for instance, in check cards.

Series production for *brandsealing* labels was also assured in 2002. First functional models of the scanning devices are also already available.

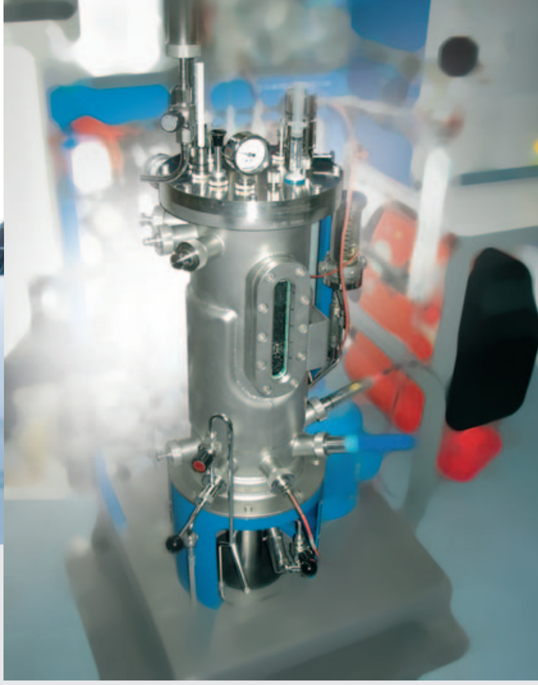


In the **responsif Therapeutic Solutions** division, we undertook a process of deep-seated strategic refocusing in the year 2002 and early 2003.

The core competence of november AG in therapeutics is protein biochemistry. In this area, we pursued two approaches in the previous years: first, the development of artificial protein envelopes for drug delivery, and second, innovative approaches to immunotherapy for a broad range of different cancers (immunovaccination).

In the last year, a major step forward was achieved in immunotherapy. A candidate drug derived from somatic proteins and produced by recombinant methods has already proved its potential in relevant animal models. Data from toxicological studies also hitherto show a good tolerance profile and indicate that the product will be safe for use on humans.

As a result, november AG decided in future to put its resources in the therapy business - now in the form of *responsif GmbH* (see below) - primarily only into immunotherapy activities and to substantially reduce the funding of the area of drug delivery, which is at a far less advanced stage of development.



PREPARATION FOR CLINICAL TESTING

The afore-mentioned streamlining of the therapeutic activities was the *conditio sine qua non* for the further rapid preclinical development of our immunotherapy approach, with the result that the start of clinical trials has now moved within tangible reach. A contract with a clinical research organization (CRO) on conducting the study has already been concluded. When initial clinical trials start, it is planned to carry them out in one of the Erlangen university hospitals.

For the safety of the patients, it is essential to produce the active agent for the clinical studies to highest purity and also to fully comply with the international rules of Good Manufacturing Practice (GMP). In the past year, work began with a certified GMP partner on setting up the production process in accordance with the quality and quantity standards required for performance of the clinical studies. When it began to emerge that because of capacity bottlenecks at this partner it would not be possible to carry out production within the near future, contacts were already established with alternative suppliers in good time. In the meantime, we have concluded a contract with a major international partner who will be able to ensure supply. The essential prerequisites for the start of clinical studies are therefore all in place.

FUTURE DEVELOPMENT IN A SEPARATE COMPANY

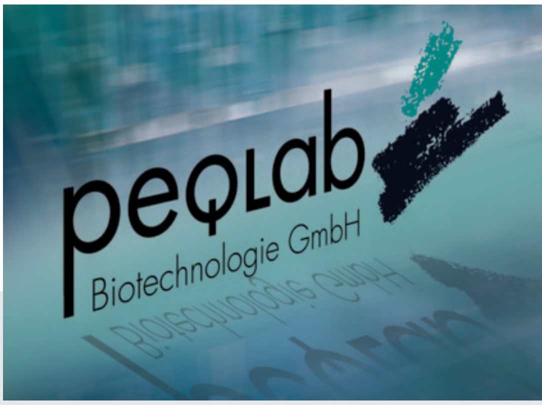
Clinical studies create new challenges and therefore also raise new financial and development risks. Besides changes in logistical and organizational structures, they also require the involvement of strategic partners and investors. This applies in particular to the finance-intensive later clinical phases. To enable such strategic partners and investors to enter as soon as possible, november AG spun off the entire therapy activities together with the Biological Labeling business to a new company, responsif GmbH, at the start of 2003. Under an agreement concluded at the time, november AG will be able to participate in tranches on predefined conditions in the company and will be able to share disproportionately in the development of the immunotherapy activities. While improving the chances for november AG, this strategic spin-off allows major financial and development risks to be lifted from the parent company.

In the past financial year, **Biological Labeling** was developed up to market readiness for use in quality assurance schemes. Various labeling mixes as well as test systems for detection of the label either on-site or in the laboratory are now operational. Therefore, november now has the opportunity to enter the market with these products through a system partner. In view of the difficult state of the meat market, which is characterized by high competitive pressure and low margins, and also to allow us to concentrate our marketing capacities on our identif division, we have decided for the time being not to further pursue the idea of direct sales.

STUDY ON THE LABELING OF VACCINES

Illnesses which reduce the fattening weight of farm animals, e.g. pigs, constitute a financial risk for meat farmers. With vaccinated animals, it is possible to achieve higher proceeds. To distinguish vaccinated from unvaccinated animals, there is great interest in the meat industry in so-called compliance markers, with which it is possible to establish whether alleged vaccinations have in fact been carried out and so to determine whether, for instance, breeders have complied with valid regulations. A second field of application for Biological Labeling is therefore the labeling of vaccines. Up to December 2002, we carried out a study commissioned by one of the leading producers of animal vaccines which produced very satisfactory results. The final evaluation will be presented in the first quarter of 2003.

Business review and financial development



GROWTH IN GROUP REVENUE AND GROSS MARGIN

Revenues of the group in the year under review totaled EUR 3.9 million (previous year: EUR 3.7 million), equivalent to an increase of over 4 percent. On an adjusted basis - i.e. not including the revenues of la fontaine International GmbH & Co. KG, whose sales contributed to revenues in the previous year - revenue growth amounted to 21 percent. Sales revenues were earned in the year under review primarily by our PEQLAB Biotechnologie GmbH subsidiary. Even if we had expected higher revenue growth, we are nevertheless - in view of the slowdown in the worldwide economy and the cooling of the biotechnology market - highly satisfied with the results we achieved.

The sales-related production costs of EUR 2.1 million in the year under review (previous year: EUR 2.3 million) were chiefly attributable to the manufacturing costs of the products sold by PEQLAB Biotechnologie GmbH. The previous year's figures also included the costs of the la fontaine companies' business for the period up to deconsolidation at the end of May 2001.

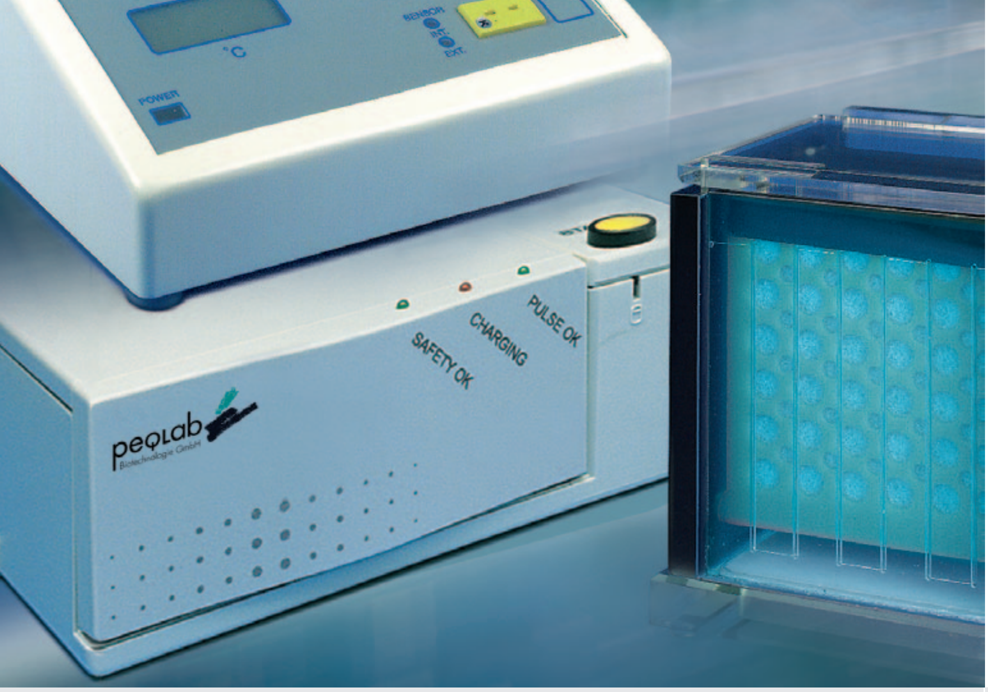
Gross profit on sales was increased to EUR 1.7 million (previous year: EUR 1.4 million) and consolidated gross margin to 45 percent (previous year: 38 percent) - two key figures showing that november AG with its PEQLAB Biotechnologie GmbH subsidiary has become both more efficient and more effective.

FOCUS ON ACTIVITIES FOR ASSURING GROWTH

Expenditure on research and development (R&D costs) in the year under review amounted to EUR 6.2 million; this represented an increase of 19 percent on the previous year's volume. Nearly 50 percent of R&D costs were accounted for by the *responsif Therapeutic Solutions* business (previous year: 38 percent), as in preparation for spin-off the costs of Biological Labeling were also attributed to this division.
In accordance with International Accounting Standards, and as was also the case in the previous year, research and development expenses were not capitalized.

As in the previous year, distribution costs of the november group again amounted to EUR 2.1 million. Besides the distribution costs of PEQLAB Biotechnologie GmbH, market launch costs of EUR 0.7 million were incurred in the year under review for the *identif Technologies* business. The ratio of distribution costs to sales revenues of PEQLAB Biotechnologie GmbH improved in the 2002 financial year to 37 percent (previous year: 40 percent). For the last time, the previous year's figure included public and investor relations costs, which from 2002 are included in “general administration expenses”, as well as amounts relating to la fontaine which incurred up to the time of deconsolidation at the end of May 2001.

It was possible to achieve a substantial reduction in the general administration costs in the year under review by EUR 0.7 million to EUR 2.1 million, although these now also include the non-distribution-related business expenses (listing costs).



DEVELOPMENT IN RESULTS

The consolidated operating loss for the 2002 financial year amounted to EUR 9.7 million and was therefore higher than in the previous year (EUR 8.6 million). However, without the costs for restructuring measures, especially for the responsif Therapeutic Solutions division, of EUR 1.3 million (including EUR 0.7 million of cash-neutral depreciation) which are accounted for under other operating expenses, the consolidated operating loss would have been less than in the previous year, despite higher research and development costs (19 percent) and a rise in the average number of employees of 10 percent.

The consolidated net loss for the year under review amounted to EUR 5.9 million and was therefore significantly lower than that of the previous year (EUR 7.1 million). The EPS according to IAS (loss per share) was therefore EUR -0.87. Without the afore-mentioned restructuring costs, the consolidated loss would have amounted to only EUR 5.1 million and the EPS to EUR -0.75. On this basis, the EPS would lie within the corridor forecast at the start of the year 2002 of EUR 0.75 to 0.90 loss per share.

The balance sheet loss increased by the consolidated net loss to EUR 21.4 million (previous year: EUR 15.5 million).

BALANCE SHEET DEVELOPMENT AND LIQUIDITY

As at 31 December 2002, the balance sheet total amounted to EUR 29.6 million (previous year: EUR 35.0 million).

The investments in property, plant and equipment of the november group of EUR 0.6 million in the 2002 financial year (previous year: EUR 0.8 million) related primarily to "buildings on third party land", "plant and machinery" and "factory and office equipment". The biggest individual item was a coating plant for the *identif Technologies* division in an amount of approx. EUR 0.2 million.

Refocusing of the therapeutic business meant that unscheduled depreciations of EUR 0.6 million had to be made on property, plant and equipment, with the result that at EUR 1.8 million, the book value of these assets, including scheduled depreciation, was below the previous year's figure (EUR 2.4 million) at the end of the financial year.

Total short- and medium-term liquidity of the company at the end of 2002 amounted to EUR 15.9 million (end of 2001: EUR 24.1 million). Despite a significant increase in R&D costs (19 percent), a higher average number of employees (10 percent) and market launch costs of EUR 0.7 million for identif Technolgies which occurred for the first time in the year under review, the consumption of financial resources of EUR 8.2 million was about on the same level of the previous year (EUR 10.9 million) after adjustment for the repayment of silent interests in an amount of EUR 2.9 million. As a proportion of the balance sheet total, total liquidity as of December 31, 2002 was equivalent to 61 percent (previous year: 68 percent).

In the third quarter of 2002, all marketable securities – comprising floating rate notes issued by a major German bank – were sold and the proceeds invested on the money market. This measure was made necessary because of the price performance falling short of expectations due to downgrading of the issuer's rating and the lack of prospects of an early improvement in the price.

As at the end of the financial year, liquidity per share amounted to EUR 2.33 (previous year: EUR 3.54) and is in the view of the executive board sufficient to reach corporate break-even on the basis of the restructuring measures already undertaken in the past financial year and still to be undertaken in the current financial year.

The rise in trade accounts receivables at the end of the year 2002 by EUR 0.3 to 0.5 million was primarily attributable to the PEQLAB business and chiefly relates to an order concluded in December but not yet paid for at the end of the year in an amount of almost EUR 0.2 million, as well as to the higher volume of sales in the financial year under review.

Capitalized deferred taxes at the end of 2002 amounted to EUR 8.6 million and rose by EUR 3.7 million (in the financial year 2002: EUR 2.9 million). This is related to tax reduction claims arising from the anticipated utilization of existing taxable loss carry-forwards in future years.

The reduction in "other current assets and prepaid expenses" by EUR 0.4 million to EUR 8.4 million was due in particular to tax prepayments for the years 2001 and 2000 in an amount of approx. EUR 0.5 million which

have meanwhile been assessed and received. As in the previous year, this item also includes the share of a loan against borrower's note for EUR 8 million which was due within one year.

The total for current liabilities and borrowings at the end of 2002 was up by approx. EUR 0.6 million to EUR 2.6 million and was due in particular to allocations to reserves for personnel measures associated with restructuring and to the contractually agreed financial indemnification *of responsif GmbH* by november AG for contracts taken over.

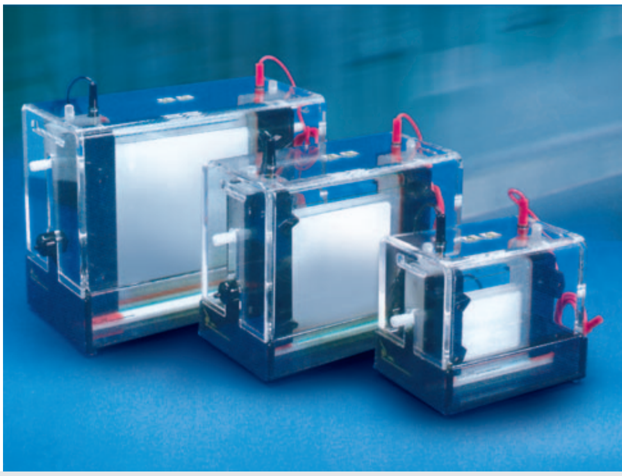
Shareholders' equity and reserves fell at the end of 2002 in the full amount of the consolidated loss for the period of EUR 5.9 million to EUR 26.1 million. The equity ratio is therefore now 88 percent (previous year: 92 percent), but still far above the level normal in the industry. Through this favorable equity position, the property, plant and equipment, the intangible assets as well as the net current assets are wholly funded out of own resources.

As of December 31, 2002, the book value of the net assets was above market capitalization on the basis of the Xetra closing price on December 30, 2002 of EUR 2.85. Pursuant to IAS 36, there may therefore be the need for a possible writedown of the assets to which the standard relates. No need for writedown beyond the restructuring items already detailed could be seen as of December 31, 2002.

EMPLOYEES

In the 2002 financial year, the november group employed an average 88 people in full-time terms, compared to an average of 80 during the previous year. At the end of the year, 88 people were employed within the group. Through transfer of the business, 21 employees moved to *responsif GmbH* at the start of the current year.

Development of subsidaries and affiliates



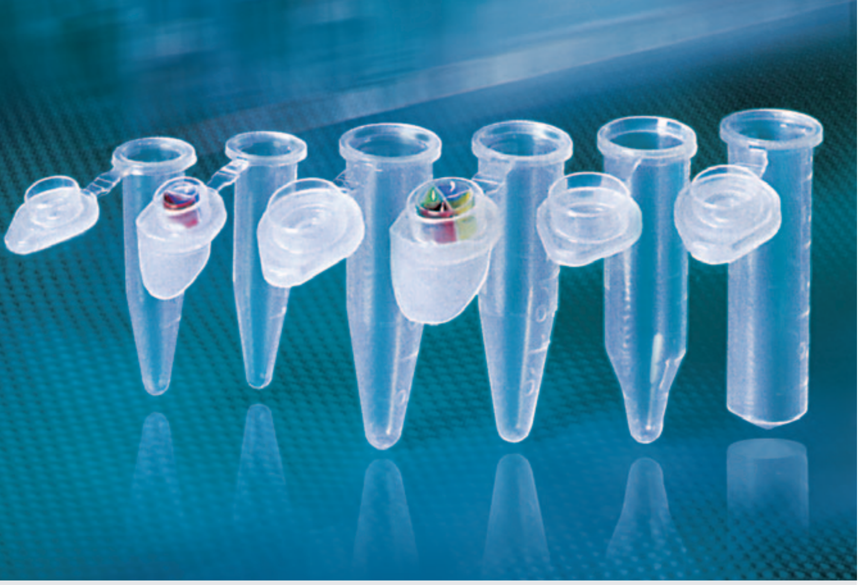
PEQLAB BIOTECHNOLOGIE GmbH

Since December 2000, november AG has held a 51 percent share in PEQLAB Biotechnologie GmbH, located in Erlangen. This fully consolidated subsidiary of november AG markets reagents, some of which are developed and produced by itself, as well as laboratory equipment and, in implementation of the one-stop-shop strategy and working in association with partner companies, provides services in the field of molecular biological basic research. The main customers are academic research institutions and biotech companies. The company operates almost exclusively under its own brand name and has a reputation on the market for its high and consistent quality.

With an average 17 employees, the company earned sales revenues in the year under review of EUR 3.8 million (previous year: EUR 3.2 million), i.e. an increase of 18 percent. In view of the slowdown on the biotech market in the current financial year, this is a satisfactory result. The gross margin at PEQLAB grew in the 2002 financial year to 44 percent, from 42 percent in the previous year. The company earned a profit for the period under review.

ACGT ProGenomics AG

november AG holds a stake of 24.95 percent in ACGT ProGenomics AG of Halle. Because of the uncertain financial situation of the company, november AG made a writedown on this shareholding as of December 31, 2001. In the past financial year, the company then succeeded in obtaining the necessary additional funds, so assuring its continued operation. As in view of the current situation on the venture capital market the financial situation continues to be uncertain, however, we have again applied the diminished value.



Opportunities and Risks

As a development company working in the field of biotechnology, november AG has extraordinary potential for success. However, these opportunities are also accompanied by general and specific development risks.

In accordance with the provisions of the Control and Transparency of Companies Act (KonTraG), november AG already put a structured, company-wide risk monitoring system in place in 1999 to control, manage and avert entrepreneurial risks.

DIFFERENTIATED, GROUP-WIDE RISK MANAGEMENT SYSTEM

The risk assessment system was once again consistently applied in the financial year 2002. It enables corporate risks to be analyzed and managed, and is subject to regular upgrading and improvement.

The central tool of the risk management system is a risk management handbook which is required to be complied with by all persons with responsibility (risk owners) in the company. The handbook defines discernible and predefined business risks and the relevant risk tolerance limits; if these are reached, this triggers a report by the risk owner to the executive board. Risk owners at november AG are primarily the first and second management tiers (executive board, project managers), the general managers and officers of affiliated companies, as well as specialist personnel within the company (safety/security officers, EDP, quality management). The system is supplemented by other precautionary measures for reducing risk, e.g. the conclusion of insurance.

The clear structure and manageable overall size of november AG facilitates the efficient exchange of information. The management are kept informed of all major project developments through regular meetings and the constant exchange of information, enabling them to respond quickly and proactively to any possible risks as soon as they first begin to emerge.

The basis for risk assessment are the goals set forth in the business plan. An inherent risk for any biotechnology company are the market risks of the developed technologies and products. To control these risks, the entire project portfolio of november AG is actively managed by the executive board, which regularly submits it to evaluation in terms of the opportunities and risks of the market. To this end, the company works with individual project development plans which are approved by the executive board and continuously monitored for compliance. The executive board therefore has a reliable basis on which to steer the strategic course.

In the past year, the company's internal controlling system was further extended, thus ensuring enhanced compliance with the principle of separation of functions. Exluding members of the executive board, measures or business matters which involve risk are not handled by one staff member alone. The drawing up of work instructions and standard procedures ensures that work steps are performed in a uniform manner. To support the risk management system, november AG has a quality management system certified to DIN EN ISO 9001. IT risks are limited by rigorous restrictions on access.

Company controlling is based to a large extent on a 4-year plan that reflects the financial situation of the entire group of companies and is updated on a revolving basis. Within the framework of a strategic management process which involves the project managers, the management of affiliated companies, the project controllers, and the executive board, any significant deviations from target are discussed and analyzed, and any necessary counter-measures initiated in a timely manner.

Like any other company, november AG is subject to general business risks such as the loss of parts of the management or important employees. november AG seeks to meet these risks by developing and skilling its personnel and through organizational measures, such as duties to maintain records and to keep other persons informed.

Our PEQLAB Biotechnologie GmbH purchases some of its stocks of goods from the US dollar area. The resulting exchange rate risk is limited by dollar currency options which are exercised as soon as a price which is determined on the basis of an annual calculation is reached or exceeded. In the past year, it was not necessary to exercise these currency options as the purchasing prices moved downwards due to the weakness of the dollar. No exports were made to the US dollar area.

No imponderable risks or other matters which would be liable to jeopardize the continued existence of the company became known to the management during the period under review.

Environmental protection

LOAN COMMITMENT

Under the purchase and participation agreement concluded with *responsif GmbH* on February 21, 2003, november AG has given a commitment to the purchaser to grant a loan of EUR 1.65 million until 1 April 2003. Repayment of the loan will depend to a large extent on successful development of immunotherapeutic candidate drugs and the inflow of further capital.

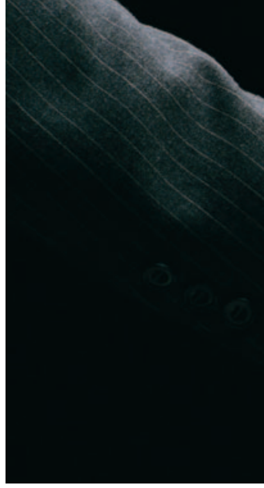
DEFERRED TAXES

In the consolidated balance sheet, november AG reports deferred taxes in an amount of EUR 8.6 million (previous year: EUR 4.9 million). The value of this item is subject to the risk that the precondition for the offsetting of losses is that profits are earned in the future.

ENVIRONMENTAL PROTECTION

The company and also its employees are fully aware of their responsibility for people and the environment. All activities of the november group are guided by the principles of resource-saving use of materials, careful use of energy and fresh water, avoidance of environmental and health risks at the workplace, and the avoidance or recycling of waste.

Besides complying with all relevant environmental laws and regulations, waste avoidance or the separation of waste to enable recycling is part of the normal everyday routine of our company. In addition, care is taken in the field of materials management and packaging systems to ensure the use of recyclable or degradable/compostable materials; this is not only beneficial to the environment, but is also economically advantageous.



Outlook

Except for some insignificant delays, november AG largely reached the project milestones it had set itself for last year. We are also striving to achieve the same in 2003.

For the products of **identif Technologies**, we intend to substantially broaden the existing customer base in 2003. We laid the foundation stone for this in the past year by establishing and expanding the distribution infrastructure, and especially the key account management. The adaptation studies which have already begun or will begin in the near future on national and international markets, which are for the most part being paid for by the customers, will be completed this year, enabling us then to conclude commercially profitable contracts. This applies, for instance, to the studies with Bristol-Myers Squibb on the labeling of drugs packaging and with Infineon Technologies on the coating of chip modules for smart cards. It is also intended to embark on other adaptation studies. We assume that the time and cost factor for other studies will fall as soon as our products have become established on the market as the "security technology of choice". We see the development cooperation announced in February 2003 with Hueck Folien GmbH, a leading worldwide manufacturer of technical films for security applications, in particular for banknotes and documents, as a significant step forward towards the production and sale of our cluster markings. For cluster markings as well, we will offer a system solution with hand-held scanner. To this end, working in collaboration with Siemens Automation and Drives Division, we will develop the scanner, of which there are existing prototypes, up to market readiness in the course of the 2003 financial year.

Already in the year 2001, november AG and the Medical Solutions Division of Siemens concluded an agreement on cooperation relating to the business activities of **directif Diagnostic Solutions** and providing for the joint development of the Lab-on-a-Strip platform technology for human point-of-care diagnostics. Development has hitherto proceeded in a highly promising way. Both partners have therefore decided to supplement the existing development cooperation by a strategic partnership within the next few months. In doing so, the goal of both partners is to establish the Lab-on-a-Strip technology as the worldwide technological "gold standard" of the IVD nucleic acid analysis market, i.e. as the best and most reliable method for identifying or excluding an illness. The division hopes to show proof of concept, with a fully integrated cartridge consisting of modules for sample taking and processing, DNA amplification and detection, in the course of the second quarter of 2003. Siemens AG will have completed an equipment prototype by then. Work will then begin on completion of the entire system, so that clinical validation should be able to start during the first half of 2004.

The preparations for clinical studies will be continued by *responsif GmbH*, to which we spun off **therapeutic research** at the beginning of 2003. It is planned that the clinical phases of drug development will start in the course of the current year, as soon as a positive vote has been received from the Ethic Commission after completion of the preclinical studies.

For our **PEQLAB Biotechnologie GmbH** subsidiary, we are once again looking forward to double-digit revenue growth for the 2003 financial year at about the same rate as in the previous year, and are expecting a higher

profit for the period due to higher volumes and lower unit costs. One of the company's strategic goals is to further enhance its service sector.

HEAD OF FINANCIAL DEPARTMENT TO BE APPOINTED IN DUE TIME

Effective as of 28 February 2003, Hans-Dieter Tresser, chief financial officer, has left the company in mutual agreement with the supervisory board. november AG has already appointed an experienced successor for the position as head of the financial department, who will assume his office in the next few weeks. In the interim phase, the department with its highly qualified personnel will be led by CEO Dr. Wolf M. Bertling.

IMPROVEMENT IN CASH FLOW THROUGH PARTNERING

The revenue and earnings growth expected through the operating targets already described will help to reduce consumption of the financial resources of the november group significantly this year. However, we also see the possibility of entering into strategic partnerships as a kind of “financial expansion joint”. With the management buyout in early 2003 of the division of november AG with the highest need for capital, namely responsif Therapeutic Solutions together with Biological Labeling, november AG has made use of this possibility for the first time. This is an important step towards dramatically reducing consumption of the financial resources of the november group in future. The transaction was based on the idea of placing a corporate division into a strategic partnership with investors and, in particular, development partners, thereby preserving and enhancing the potential for opportunities while at the same time reducing the individual financial risk as well as the risks associated with clinical development. Initial negotiations with strategic partners and funding institutions provide positive evidence for the viability of strategic measures of this kind.

We also intend, as already in the previous financial year, to adjust the overall cost structure accordingly and to optimize the share of value-creating activities. On the basis of such measures, we continue to expect to be able to achieve break-even even without any influx of funds from outside. We regard an adaptable finance concept of this kind as essential, as a significant improvement in the capital market cannot be looked forward to with any sufficient degree of certainty within the foreseeable future.

CONSOLIDATED FINANCIAL STATEMENTS

as at 31.12.2002 (IAS)

november AG
Gesellschaft für Molekulare Medizin

Consolidated balance sheet for the year ended 31 December 2002 according to International Accounting Standards (IAS)

	Note	31.12.2002 EUR	31.12.2001 TEUR	Change (%)
CURRENT ASSETS				
Cash & cash equivalents	1	6,858,693	7,075	–3
Short-term marketable securities	2		1,004	–100
Trade accounts receivable	3	462,102	209	121
Inventories	4	759,868	764	–1
Other current assets and prepaid expenses	5	8,377,364	8,781	–5
Total current assets		**16,458,027**	**17,833**	–8
LONG-TERM ASSETS				
Property, plant and equipment	6	1,832,966	2,375	–23
Intangible assets	7	112,539	177	–36
Goodwill	8	1,486,010	1,676	–11
Investments	9	1,064,271	8,035	–87
Investments valued acc. to the equity method	10	1	.	
Deferred taxes	11	8,629,135	4,914	76
Total long-term assets		**13,124,922**	**17,177**	**–24**
TOTAL ASSETS		**29,582,949**	**35,010**	**–16**

Of which: Discontinuing operations			
Inventories	*10,000*	*53*	*–81*
Prepaid expenses		*7*	*–100*
Property, plant and equipment	*440,000*	*1,111*	*–60*
Intangible assets		*50*	*–100*
Total assets	***450,000***	***1,221***	***–63***

	Note	31.12.2002 EUR	31.12.2001 TEUR	Change (%)
CURRENT LIABILITIES				
Trade accounts payable	12	738,930	754	–2
Advance payments received	12	14,530	15	–3
Current portion of amounts owed to banks	12	129,347	129	
Other current liabilities	12	279,408	260	7
Accrued expenses	13	1.473,138	891	65
Total current liabilites		**2,635,353**	**2,049**	29
LONG-TERM LIABILITIES				
Bonds	12	123,484	132	–6
Long-term portion of amounts owed to banks	12	566,334	696	–19
Total long-term liabilities		**689,818**	**828**	**–17**
Minority interests	**14**	**135,938**	**87**	**56**
SHAREHOLDERS' EQUITY				
Subscribed capital	15	6,811,200	6,811	
Additional paid-in capital	15	40,690,060	40,690	
Accumulated deficit	15	–21,379,420	–15,455	38
Total shareholders' equity		**26,121,840**	**32,046**	**–18**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**29,582,949**	**35,010**	**–16**

Of which: Discontinuing operations			
Trade accounts payable	*95.932*	*179*	*–46*
Other current liabilities	*64,885*	*82*	*–21*
Accrued expenses	*639,183*	*129*	*395*
Total amount owed	***800,000***	***390***	***105***

Consolidated income statement according to International Accounting Standards (IAS) 1 January to 31 December 2002

	Note	2002 EUR	2001 TEUR	Change (%)
Revenues	16	3,854.606	3,695	4
Costs of revenues	17	2,130.819	2,276	–6
Gross profit		**1,723,787**	**1,419**	**21**
Selling and marketing expenses	18	2,100,262	2,139	–2
General administrative expenses	19	2,125,692	2,799	–24
Research and development	20	6,217,521	5,232	19
Other operating income	21	650,714	576	13
Other operating expenses	22	1,444,638	276	423
Amortization of goodwill		189,703	190	
Operating income/loss		**–9,703,315**	**–8,641**	**12**
Interests income and expenditure	23	280,013	440	–36
Expenses für investments valued according to the equity method	24		–1,632	–100
Other financial expenses	25	–167,300	–149	12
Financial result		**112,713**	**–1,341**	**–108**
Result before income taxes and minority interests		**–9,590,602**	**–9,982**	**–4**
Income tax	26	3,715,527	2,868	30
Result before minority interests		–5,875,075	–7,114	–17
Minority interests	14	-48,861	–8	511
Consolidated net loss		**–5,923,936**	**–7,122**	**–17**
Loss carry-forward		–15,455,484	–8,333	85
Accumulated deficit	**15**	**–21,379,420**	**–15,455**	**38**
Earnings per share (undiluted) (EPS)	**27**	**–0.87**	**–1.07**	
Weighted average shares outstanding		**6,811,200**	**6.663,200**	
Of which: Discontinuing operations				
Revenues		*79,800*		*100*
Costs of revenues		*10,929*		*100*
Gross profit		*68,871*		*100*
Research and development		*3.469,810*	*3,026*	*15*
Other operating income		*234,390*	*242*	*–3*
Other operating expenses		*1.172,036*		
Operating income/loss		*–4,338,585*	*–2,784*	*56*

Change in shareholders‘ equity for the financial year 2002 and the corresponding period of the previous year

The changes in shareholders‘ equity (IAS 1.86) are shown in the following table (all figures in thousand EURO (TEUR)):

Note (15)	Subscribed capital	Add. paid-in capital	Accumul. deficit	Total share-holders‘ eq.
31 December 2000	**6,571**	**39,298**	**-8,333**	**37,536**
Change in shareholders‘ equity through contribs. in kind	240	1,392		1,632
Consolidated net loss 2001			-7,122	-7,122
31 December 2001	**6,811**	**40,690**	**-15,455**	**32,046**
Consolidated net loss 2002			-5,924	-5,924
31 December 2002	**6,811**	**40,690**	**-21,379**	**26,122**

Cash flow statement 1 January to 31 December 2002

	Note	2002 EUR	2001 TEUR
CASHFLOW FROM OPERATING ACTIVITIES			
Consolidated net loss		–5,923,936	–7,122
Adjustments for:			
Minority interests	(14)	48,861	8
Expenses for investments valued according to the equity method	(24)		1,632
Depreciation and amortization on long-term assets (incl. unscheduled depreciation and depreciation of goodwill)		1,432,741	812
Writedown of loans and investments			149
Losses form the disposal of assets			52
Income from change in deferred taxes	(11)	–3,715,527	–2,868
Change in net current assets:			
Decrease in inventories, trade receivables and other assets		154,396	–288
Increase in trade payables and other liabilities		585,916	27
Net cash from operating activities		**–7,417,549**	**–7,598**
Of which: Disontinuing operations		***–3,057,933***	***–2,733***
CASH FLOW FROM INVESTING ACTIVITIES			
Disbursements in connection with the sale of subsidiaries, less cash and cash equivalents transferred			–47
Acquisition of assets:			
Disbursements for investments		–640,328	–861
Proceeds from the sale of assets		3,995	8
Payments reveived in connection with investments		6,970,932	8,000
Net cash from investing activities		**6,334,599**	**7,100**
Of which: Discontinuing operations		***–154.000***	***–271***
CASH FLOW FROM FINANCING ACTIVITIES			
Disbursements for the repayment of loans		–129,347	–228
Repayment of silent interests			–2,874
Payments reveived from the placing of bonds and credits		–8,497	645
Cash employed for financing activities		**–137,844**	**–2,457**
Cash and cash equivalents at the start of the period		8,079,487	11,034
Cash and cash equivalents at the end of the period	(28)	**6,858,693**	**8,079**

The following notes are in integral part of these consolidated financial statements.

CASH AND CASH EQUIVALENTS INCL. MARKETABLE SECURITIES AND INVESTMENTS:

	Note	2002 EUR	2001 TEUR
Cash & cash equivalents at the end of the period		6,858,693	8,079
Investments **(9)**		9,000,000	16,000
Total cash & cash equivalents at the end of the period		**15,858,693**	**24,079**

Liquidity including investments (short-term and long-term)

Notes on the consolidated financial statements for the financial year 2002

THE COMPANY

november AG, which is domiciled in Erlangen, was founded on 26 November 1996 and is registered as No. HR B 6565 in the commercial register kept at Fürth Local Court (Bavaria). Since 10 April 2000, the company has been listed in the "Neuer Markt" segment of the Frankfurt Stock Exchange and since 1 January 2003, it is part of the Prime Standard, a high quality segment of Deutsche Börse.

The object of the enterprise is the development and marketing of molecular biological analysis and therapy methods as well as the development of medical and non-medical procedures and equipment insofar as these are not subject to statutory regulation. A further object of the enterprise is the performance of corresponding analyses in the field of human and veterinary medical diagnostics and environmental analysis insofar as only the technical and not the diagnostic aspects are concerned, which latter must be conducted by licensed physicians. A further object of the enterprise is the performance of consultancy and research contracts in the aforesaid sectors insofar as such consultancy is provided only to professionals and does not constitute consultancy services to patients.

GENERAL PRINCIPLES – APPLICATION OF INTERNATIONAL ACCOUNTING STANDARDS (IAS)

As a company listed on the stock exchange, november AG is required by law to draw up consolidated financial statements. As these consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS), november AG is exempted from the requirement to produce consolidated financial statements in accordance with the German Commercial Code (Art. 292a HGB). The interpretations of the Standing Interpretations Committee (SIC) have been applied.

The accounting, valuation and consolidation methods used differ from the applicable provisions of Arts. 290 ff. German Commercial Code in the following points:

- The IAS consolidated financial statements of november AG include capitalized deferred taxes for losses which can be offset for tax purposes against future profits. Under the accounting rules of the German Commercial Code, deferred taxes cannot be formed for this purpose.

- In the consolidated financial statements according to IAS, the shares in ACGT ProGenomics AG acquired in the financial year 2001 under a share swap deal are shown at the market value of the november shares issued; in the individual financial statements prepared according to the German Commercial Code, on the other hand, they are shown at nominal value. In both cases, the value of the shares has been written down to EUR 1.

- In the IAS consolidated financial statements for the financial year 2000, the costs for the IPO were set against the additional paid-in capital and therefore did not affect income; in the individual financial statements, on the other hand, they were carried as expenses.

To make the financial statements clearer and to enhance their information value, some items have been aggregated in the balance sheet and the income statement but are reported separately in these notes. The income statement has been prepared using the cost of sales method.

The consolidated financial statements are drawn up in euros (EUR).

Because of the deconsolidation of la fontaine International Verwaltungs GmbH and la fontaine International GmbH & Co. KG with effect as of 31 May 2001, comparison of figures of the consolidated income statement with those for the previous year is only possible to a limited extent.

The consolidated balance sheet, income statement and cash flow statement have been structured in the manner specified by the German Stock Exchange (Deutsche Börse AG) for structured quarterly reports.

CONSOLIDATED COMPANIES

Pursuant to IAS 27, the following companies have been included in the consolidated financial statements:

- november AG Gesellschaft für Molekulare Medizin, domiciled in Erlangen, as the parent company.

- PEQLAB Biotechnologie GmbH, domiciled in Erlangen, as a subsidiary company. november AG holds 50.94% of the voting shares (share in the capital stock: TEUR 16.3) in the latter.

PEQLAB Biotechnologie GmbH was acquired by notarial agreement of 15 December 2000 by contribution in kind, with new november shares being issued in return for PEQLAB shares. The company was consolidated for the first time for a full year in the financial year 2001.

In the previous year, the wholly owned subsidiaries la fontaine International Verwaltungs GmbH and la fontaine International GmbH & Co. KG, both domiciled in Forst, were each sold with effect as of 31 May 2001 and deconsolidated as of the same date.

The interest acquired with effect as of 1 November 2001 in ACGT ProGenomics AG, domiciled in Halle, in an amount of 24.95% of the shares of ACGT ProGenomics AG is shown separately in the consolidated financial statements under “investments valued according to the equity method”, as required by IAS 28. As at 31 December 2001, the value of this investment was written down to EUR 1 and this value was also retained in the statements as at 31 December 2002.

The cut-off date for the consolidated financial statements is the same as the cut-off date for november AG (31 December 2002). The cut-off date of PEQLAB Biotechnologie GmbH is identical to that for the consolidated financial statements.

CONSOLIDATION PRINCIPLES

The individual financial statements included in the consolidated financial statements have been prepared according to uniform accounting and valuation methods.

Capital consolidation has been done according to the acquisition method of IAS 22 (Business Combinations), with the historical costs of investments being set off against the proportional revalued shareholders' equity of the subsidiaries at the time of acquisition. The assets and liabilities acquired are shown at their market value at the time of acquisition. Any remaining difference is shown as goodwill.

Goodwill in an amount of TEUR 1,897 resulted from the initial consolidation of PEQLAB Biotechnologie GmbH; this is being written down over an expected useful life of 10 years in accordance with IAS 22.

Because of uncertainties concerning funding of the business model of ACGT ProGenomics AG, a value was attributed to the company, which is required to be valued according to the equity method, of EUR 1 in the financial year 2001. This valuation was retained in the financial year 2002.

Intercompany receivables and liabilities as well as income and expenses between the consolidated companies have been eliminated without affecting the operating result.

No intercompany profit/loss occurred.

ACCOUNTING AND VALUATION PRINCIPLES

To a very limited extent, estimates and assumptions have to be made in the consolidated financial statements which may affect the level and reporting of the assets and liabilities, income and expenses, and indirect liabilities shown. The actual values may differ from the estimates.

The reporting, valuation and aggregation of individual items in the balance sheet, the income statement, the cash flow statement and the statement of changes in shareholders' equity as well as the scope of the explanations has been done on the principle of materiality. Assets and liabilities with a residual term of up to one year are shown as current assets and liabilities, those with a residual term of more than one year as long term assets and liabilities. The residual term has in all cases been calculated from the balance sheet cut-off date.

Cash and cash equivalents are capitalized at nominal values.

Marketable securities are shown at historical cost or the market value on the balance sheet cut-off date, whichever is lower.

Receivables and other assets are shown at historical cost or attributable value, whichever is lower. Discernible risks have been allowed for by appropriate charges.

Inventories are shown at historical or production cost. A fixed value applies for laboratory material.

Property, plant and equipment is shown at historical/production cost, reduced by scheduled depreciation for use. Assets of minor value are written down in full in the year of acquisition. (For further writedowns, see below).

Regular straight-line depreciation is based on the following periods of useful life:

- Buildings on land owned by others
  10 – 14 years
- Other operational and office equipment
  3 – 23 years

Additions in the first half of the year are written down at the full annual rate, additions in the second half of the year at half the annual rate.

Intangible assets are shown at acquisition cost, reduced by regular straight-line depreciation pro rata temporis. The periods of useful life on which depreciation is based are between 3 and 10 years.

The goodwill arising from the capital consolidation of PEQLAB Biotechnologie GmbH is being written down over an expected useful life of 10 years. The value is reviewed at each balance sheet cut-off date.

In accordance with IAS 38, research costs are booked as expenses for the financial year. Development costs are also treated in the same way as, because of the risk until market launch, the requirements of IAS 38 for the capitalization of development costs are not yet deemed wholly fulfilled.

Investments are valued at net book value.

Capitalized deferred taxes are claims to tax reductions arising from the anticipated use of existing loss carry-forwards in subsequent years. Deferred taxes arising from differing time periods for valuations in commercial and tax balance sheets of the consolidated companies or resulting from consolidation matters did not occur. The deferred taxes are calculated at a rate of 38%, made up from a corporate income tax rate of 25% (the current corporate income tax rate of 26.5% is only to be applied to the levy period of 2003), a special solidarity surcharge of 5.5% of corporate income tax, and the rate of local trade tax of the city of Erlangen after allowance for its tax deductibility.

Liabilities are shown at their repayment value. Currency conversion has been done as required by IAS 21 at the daily rate on 31 December 2002.

Accrued expenses are shown in accordance with IAS 37 at the amount which, pursuant to reasonable commercial assessment, is necessary as at the balance sheet cut-off date to cover future payment obligations, discernible risks and uncertain obligations of the group. In each case, the amount is shown which, on careful consideration of all factors, appears most probable.

Revenues are deemed realized on the passing of risk of goods or the provision of services and are shown accordingly in the income statement.

Writedown of assets, discontinuing operations
In consultation with the supervisory board, the executive board resolved in the past financial year to considerably reduce the business operations of the Drug Delivery and Biological Labeling segments and to focus the Therapy activities almost exclusively on the field of immune vaccination as development of this technology is significantly further advanced, and announced this decision to the public in mid-October 2002. In accordance with IAS 36, the aforesaid measure made it necessary to conduct an impairment test for the Drug Delivery segment: A comparison of the net book value and the attainable amount (i.e. whichever is the higher of the net selling price and the utilization value of an asset) resulted in an unscheduled writedown being made on fixed assets in an amount of TEUR 652.

On 21 February 2003, i.e. before preparation of the annual financial statements for the year 2002, november AG concluded a purchase and participation agreement with responsif GmbH. This provides for spinning off of the entire Therapy segment, consisting chiefly of the Immunotherapy (stimulation of the immune system to fight cancer) and Drug Delivery (drug transfer by artificial protein envelopes) activities, as well as Biological Labeling (surveillance of quality control programs in the meat industry), to the aforenamed company with retroactive effect as of 1 January 2003. The executive board and supervisory board resolved at the end of the year 2002 to transfer all employees of the responsif Therapeutic Solutions division to responsif GmbH and initiated the transfer of undertaking at the beginning of the year.

As part of the segmentation of certain financial information which is included in this consolidated financial statement, the project Drug Delivery and Immunotherapy are assigned to the segment responsif Therapeutical Solutions, while Biological Labeling is assigned to the segment “other”.

The purchase and participation agreement, among other, provides for the transfer of various long-term and current assets at book value on 1 January 2003. november AG assumes contractual obligations regarding third parties and the transferred employees as far as they can be assigned to the spun off activities. In return, responsif GmbH grants november AG rights to participate in the company, rights to expand this participation, as well as rights to receive a special profit share.

Pursuant to IAS 27 and SIC, responsif GmbH is not required to be included in the consolidated financial statements of november AG.

To provide greater clarity for the readers of the business report in respect of cash flow forecasts, statements of net income for the period and the financial and earnings situation of the business operations of the november group which are being continued, IAS 35 requires that the key financial information be broken down into operations that have been spun off and those that are being continued; this requirement applies not only to the year under review, but also to the previous year of 2001. A corresponding breakdown in accordance with IAS 35 has been made in the balance sheet, the income statement and the cash flow statement.

Due to the transfer of undertaking ("Betriebsübergang") to *responsif GmbH* an accrual has been made in the annual financial statements for personnel measures, according to IAS 37; these relate primarily to the responsif Therapeutic Solutions segment. These measures were made necessary through the strategic and organizational restructuring activities in the past financial year, and will be put into effect in the current year of 2003. All expenses in connection with the strategic reorientation of november AG are shown in the income statement under "other operating expenses" [see under (**22**)].

Explanatory notes on the consolidated balance sheet

Current Assets

1 CASH AND CASH EQUIVALENTS

The cash and cash equivalents in an amount of TEUR 6,859 (previous year: TEUR 7,075) available on the balance sheet cut-off date mostly consist of money at call or on deposit at German banks, with a maximum term of one year and with negligible risk.

As security for the loan of the Kreditanstalt für Wiederaufbau described under (**12**) "amounts owed to banks", time money in an amount of TEUR 336 was pledged to the lender.

Total cash and cash equivalents are shown under (**28**) and amounted at the end of 2002 to EUR 15.9 million.

2 MARKETABLE SECURITIES

The marketable securities held by the group in the previous year in an amount of TEUR 1,004 have been sold in the current financial year. The marketable securities concerned were classifiable according to IAS 39 as being "available for sale" and comprised stock-market-tradable floating rate notes of a German bank with a term of 10 years. The variable interest rate payable on them was based on the 3-month EURIBOR rate with a premium of 35 points.

Sale of the securities was deemed necessary as, due to a downgrading in the rating of the issuer, the price performance did not come up to expectations and there were no prospects of an early recovery in the price. The sales proceeds were invested on the money market and are shown under "cash and cash equivalents" (**1**).

Prior to sale, a writedown was made on the book value of the aforesaid securities in the period under review in an amount of TEUR 35 (previous year: TEUR 13) and shown in the income statement under the item "other financial expenses" (**25**).

3 TRADE ACCOUNTS RECEIVABLE

The trade accounts receivable included as at the cut-off date in an amount of TEUR 462 (previous year: TEUR 209) are shown at nominal value and have a residual term for the full amount of less than one year. Where necessary, default risks have been allowed for by appropriate charges.

4 INVENTORIES

The inventories are shown at acquisition or production cost or the attributable value on the balance sheet cut-off date, whichever is lower.

As at the balance sheet cut-off date, the items shown under "inventories" were made up as follows:

(in **TEUR)**	**31.12.2002**	**31.12.2001**
Laboratory, consumption and other materials	21	65
Commodites	725	699
Prepayments made	14	0
Total	**760**	**764**

5 OTHER CURRENT ASSETS AND PREPAID EXPENSES

The balance sheet sum of TEUR 8,377 (previous year: TEUR 8,781) is made up as follows:

(in TEUR)	31.12.2002	31.12.2001
Share of investments due within one year	8,000	8,000
Tax prepayments	97	463
Claim on MediRox to axquisition of shares	77	77
Accruals and deferrals	100	76
Other	103	165
Total	**8,377**	**8,781**

The share due from investments within one year is explained in the notes under (**9**).

The tax prepayments relate to withholding tax on investment and interest income, plus special solidarity surcharge, paid during the financial year 2002 but not yet assessed and amounting to altogether TEUR 97. The previous year's figure (TEUR 463) included corresponding tax prepayments for the calendar years 2000 and 2001 which were refunded in the financial year 2002.

During the financial year 2001, november AG out-licensed the novi quick® system to MediRox AB in return for a share in sales income and capital shares in the company (2-3% of the share capital); the capital shares have not yet been given. However, the general meeting of MediRox AB, Sweden, approved issue of the shares to november AG on 26 March 2002, and transfer of them will be effected during the financial year 2003.

Long-term assets

6 PROPERTY, PLANT AND EQUIPMENT

The composition of and change in the fixed assets is shown in detail in the “Statement of changes in assets”, which is attached to these notes as Annex.

The investments in property, plant and equipment of the november group in the financial year 2002 in a total amount of TEUR 611 (previous year: TEUR 771) mostly comprised “buildings on land owned by others” (TEUR 108, previous year: TEUR 39), “technical equipment and machinery” (TEUR 225, previous year: TEUR 4) and “operational and office equipment” (TEUR 274, previous year: TEUR 728).

The biggest individual item was a coating plant for the identif Technologies business in an amount of TEUR 225. Laboratory equipment and installations were also purchased in a value of TEUR 168 (previous year: TEUR 453), as well as additions to EDP systems in an amount of TEUR 31 (previous year: TEUR 93). The additions to assets of minor value totaled TEUR 36 (previous year: TEUR 89). The investments in other operational and office equipment amounted to TEUR 39 (previous year: TEUR 93).

In accordance with IAS 36, the therapeutic refocusing of november AG which was announced in mid-October 2002 required the conduct of an impairment test for the Drug Delivery segment. A comparison of net book value with the attainable sum (i.e. whichever is the higher of the net selling price and the utilization value of an asset) resulted in the need to make unscheduled writedowns of TEUR 652 on property, plant and equipment. Because of these value adjustments, the book value of property, plant and equipment at the year end, including scheduled depreciation, amounted to TEUR 1,833 and was therefore less than in the previous year (TEUR 2,375).

7 INTANGIBLE ASSETS

The amount of TEUR 113 shown under this item as at 31 December 2002 is made up primarily of the net book value for EDP software. In the previous year, this item had a value of TEUR 176.

8 GOODWILL

The goodwill shown as at 31 December 2002 resulted from the acquisition of PEQLAB Biotechnologie GmbH in the year 2000. As in the previous year, depreciation and amortization amounted to TEUR 190 and is shown in the income statement under “depreciation and amortization of goodwill”. The change in goodwill is detailed in the attached statement of changes in assets (Annex).

9 INVESTMENTS

In the year 2000, november AG invested a significant portion of the proceeds from the IPO, namely TEUR 28,000, in a loan against borrower's note; this promised a reasonable return in interest while guaranteeing preservation of the capital stock and allowing the invested funds to be called forward in line with the short- and medium-term financial needs of the company.

Pursuant to IAS 39, this loan is classifiable as a "held-to-maturity" investment. The interest on it is made up of a guaranteed rate of 1% p.a. and an additional return payable at maturity and linked to the development of a fund portfolio. A projection based on the value of the fund portfolio as at 31 December 2002 indicates an additional return at maturity before discounting of 0.83% p.a.. In the middle of last year, the portfolio was restructured, with the result that the loss in value was less than the losses in the market environment (DAX -44%, EURO STOXX -36%). The fundamental structure of the portfolio appears to be in order even in the face of the current difficult environment. In the event of a future recovery on the international capital markets, a higher additional return can be expected. In accordance with IAS, only the guaranteed interest is included in the result for the year.

The combination of a fixed interest component and a variable interest component limits the exposure to interest changes of the investment. As it is denominated in EUR, there is no currency risk. Because of the financial standing of the issuing German bank, the default risk for this instrument is also very low.

As at 31 December 2002, the loan stood at TEUR 9,000, following reduction by five tranches of the loan which have been repaid on schedule since it was issued and totaling TEUR 19,000 (including TEUR 7,000 in the year under review). This repayment claim is shown in the balance sheet with an amount of TEUR 1,000 under "investments" and with an amount of TEUR 8,000 under "other current assets" for the payments due in the financial year 2003.

A value review according to the effective rate of interest method as required by IAS regulations showed that in determining the net book value, there is no need to take any charge on the value.

The item "investments" also includes a loan granted to ACGT ProGenomics AG, which was written down to EUR 1 in the year under review. This loan was granted by november AG in the financial year 2000 in an amount of EUR 127,823, and was originally for a term of one year. The interest accrued up to the balance sheet date was shown under loans to associated companies.

Because of the uncertain funding situation at ACGT ProGenomics AG at the time of preparation of the consolidated financial statements for 2001, the loan and the interest payment due at maturity were fully written down as at 31 December 2001. Although the borrower has succeeded in the meantime in assuring an influx of financial resources after 31 December 2002, no write-up in the loan has been made and the interest accrued in the financial year 2002 of TEUR 7 has also been written down in full, as payment of the total claim depends on positive development in the business of the company.

The item "investments" also includes two loans granted by PEQLAB Biotechnologie GmbH together with interest accrued up to the balance sheet cut-off date (9% p.a.) totaling altogether TEUR 38 (previous year: TEUR 35).

10 INVESTMENTS VALUED ACCORDING TO THE EQUITY METHOD

The shareholding taken in ACGT ProGenomics AG in the course of the financial year 2001 was acquired under a share swap in return for newly issued shares of november AG. The historical acquisition costs were therefore derived from the share price of the shares given in payment based on the closing price of EUR 6.80 on 13 August 2001, the day of conclusion of the agreement, as determined under the XETRA trading system. The shareholding was written down in full as at 31 December 2001 as at that time negotiations on funding of the business model of ACGT ProGenomics AG had not yet been concluded. Although it has been possible in the meantime to assure an influx of financial resources after 31 December 2002, no write-up in the shareholding has been made as the contractually guaranteed entry of new shareholders significantly weakens the position of the old shareholders.

As in the previous year, this item is shown under "investments valued according to the equity method", with a value of EUR 1.

11 DEFERRED TAXES

The amount shown in the balance sheet of TEUR 8,629 (previous year: TEUR 4,914) is based partly on the loss carry-forwards of november AG from the IPO up to 31 December 2002 which are expected to be deductible for tax purposes, and the loss carry-forwards of PEQLAB Biotechnologie GmbH, in each case based on the income tax rate which will be applicable in future.

It is specified under IAS that a deferred tax claim for the carry-forward of losses which have not yet been utilized for tax purposes can only be capitalized in an amount in which taxable income is likely to occur in future and against which the unutilized losses can be offset.
The activation of deferred taxes is based on business prospects, expected revenues and earnings which are laid down in the appropriate planning. These include, among other, estimations and prognoses on the time of market entry, future market shares, as well as on the marketing strategy. An evaluation of recoverability of the assessed deferred taxes was conducted.
Based on the income and finance planning for the period of 2003 to 2010, the assessed deferred taxes are recoverable.

Within the deferred taxes, an amount of TEUR 3,234 can be assigned to the activities that were spun off to responsif GmbH. For taxation, it will still be possible to set off the corresponding loss carry-forwards against future income of november AG.

Because of the continuing lack of clarity in interpretation of Art. 8 Para. 4 KStG (Corporate Income Tax Act), the extent to which losses incurred before the IPO can be set off against future profits is uncertain. Consequently, no capitalization in accordance with IAS 12 has been undertaken for tax loss carry-forwards incurred up to the time of the IPO on 10 April 2000.

12 LIABILITIES

The following overview presents the liabilities as at 31 December 2002 ordered by maturity.
The previous year's figures are given in brackets.

(in **TEUR)**	**Under 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Trade accounts payable and prepayments received	754 (769)			754 (769)
Amounts owed to banks	129 (129)	416 (476)	151 (220)	696 (825)
Other liabilities	279 (260)			279 (260)
Bonds	(0)	123 (132)		123 (132)
Total liabilites	**1,162 (1,158)**	**539 (608)**	**151 (220)**	**1,852 (1,986)**

The **"trade accounts payable"** are shown at their repayment amounts; totaling TEUR 739 (previous year: TEUR 754), they all have a residual term of less than one year. The previous year's item also included retrospective liabilities for rent in an amount of TEUR 229 which were completely paid off in the year under review.

At the end of the year under review, the **"amounts owed to banks"** were made up as follows: In the financial year 2001, a loan of TEUR 511 from the Kreditanstalt für Wiederaufbau (KfW) was disbursed to november AG by Sparkasse Kulmbach. The loan is to be repaid in 16 equal installments, beginning in the financial year 2002, and bears interest at a rate of 4.75%. As at 31 December 2002, the loan had a value of TEUR 447. The KfW loan is secured by hypothecation of credit balances in an amount of TEUR 336. As at the balance sheet date, there were also bank liabilities of PEQLAB Biotechnologie GmbH in a total amount of TEUR 248 (previous year: TEUR 314), with interest rates of between 4.2% and 7.1% p.a. and terms of between 5 and 13 years. The loans are secured by blanket assignment of all trade accounts receivable of PEQLAB Biotechnologie GmbH.

The **"other liabilities"** shown at the end of the financial year 2002 in a total amount of TEUR 279 (previous year: TEUR 260) primarily relate to payroll and sales taxes (TEUR 115, previous year: TEUR 121), amounts owed for social security (TEUR 103, previous year: TEUR 105), as well as overpayments received (TEUR 51, previous year: TEUR 22). As in the previous year, the residual term for the total amount of "other liabilities" is less than one year.

The item **"bonds"** refers to the convertible bonds issued to the employees of november AG during the financial years 2000 to 2002. The contractual term of the bonds is five years. Each convertible bond with a nominal value of EUR 1.00 entitles the holder to purchase a no-par share in november AG with a notional nominal value of EUR 1.00 at an agreed conversion price. The conversion price for all the tranches issued is calculated on the basis of the 60-day average closing price of november AG shares in the XETRA trading system prior to issue. For the tranche issued in the year 2000, the conversion price is EUR 5.01, and for the tranches issued in 2001 EUR 5.76 and 5.60. The total repayment amount for the convertible bonds at the end of the year under review of TEUR 123 breaks down for the years of issue as follows: TEUR 66 for 2000 and TEUR 57 for 2001. Under law, the earliest date for conversion of all bonds is two years, starting from the date of issue. The period during which the right of conversion can be exercised is then three years thereafter. The right of conversion may also only be exercised if the closing price quoted on the day prior to exercise of the conversion right in the XETRA trading system of the Frankfurt Stock Exchange is at least 25% p.a. above the conversion price (conversion threshold).

13 ACCURED EXPENSES

The accrued expenses changed as follows during the year under review:

(in **TEUR**)	**01.01.2002**	**Used**	**Writeback**	**Addition**	**31.12.2002**
Tax accruals	13	3			10
Personnel provisions	193	92		111	212
Outstanding invoices	103	103		423	423
Other	582	500	40	786	828
Total	**891**	**698**	**40**	**1,320**	**1,473**

The accruals for outstanding invoices as at 31 December 2002 include TEUR 354 for uncertain obligations in connection with the sale of the “responsif Therapeutic Solutions” business.

The “other” accruals shown at the end of the financial year 2002 include uncertain restructuring obligations towards employees in an amount of TEUR 300 especially because of the substantial reduction in the project activities of the Drug Delivery business undertaken in the financial year 2002. As in the previous year, the "other" accruals also comprise uncertain expenses for the preparation and audit of the annual financial statements (TEUR 114) and the business report (TEUR 45), for the general meeting (TEUR 100), for emoluments to the supervisory board members (TEUR 88), for litigation risks (TEUR 28), for possible expenses in connection with the sale of la fontaine International GmbH & Co.KG (TEUR 74) and for other uncertain obligations (TEUR 79).

Discounting pursuant to IAS 37 has not been undertaken as the individual provisions and accruals are expected to be used within one year or the amounts involved would be insubstantial.

14 MINORITY INTERESTS

This item refers to the share of shareholders' equity of PEQLAB Biotechnologie GmbH held by minority shareholders in an amount of TEUR 136 (previous year: TEUR 87). The change is shown in the income statement under the item “minority interests”.

15 SHAREHOLDERS' EQUITY

The change in shareholders' equity is shown in the relevant statement.

Capital stock
As at 31 December 2002, the capital stock amounted to EUR 6,811,200 and is divided into 6,811,200 no-par bearer shares. The capital stock is unchanged from the figure at 31 December 2001.

Additional paid-in capital
As at 31 December 2002, the additional paid-in capital was unchanged at EUR 40,690,060.

Authorized capital
As at the balance sheet cut-off date, the executive board is authorized, with the consent of the supervisory board and by not later than 31 December 2003, to make capital increases on **authorized capital I** either in cash or through contributions in kind in return for the issue of up to 242,791 no-par bearer shares up to a maximum amount of EUR 242,791.

The general meeting of 28 May 2002 resolved to create new **authorized capital II**. The executive board is authorized, with the consent of the supervisory board and by not later than 28 May 2007, to increase the capital by up to EUR 400,000 by the issue of new bearer shares in return for contributions in cash and/or kind.

The necessary entries in respect of authorized capital II were duly recorded in the commercial register on 26 August 2002.

The executive board is further authorized, with the consent of the supervisory board, to increase the capital stock of the company by 14 May 2006 by the issue of new bearer shares in one or several tranches, though by altogether at most EUR 1,000,000 (**authorized capital III** – new), in return for cash and/or contributions in kind. The executive board is authorized, with the consent of the supervisory board, to increase the capital stock of november AG by 6 August 2005 by the issue of new bearer shares in one or several tranches, though by altogether at most EUR 1,760,000 (**authorized capital IV**). The capital increases can be in the form of cash and/or contributions in kind.
The executive board is, therefore, altogether authorized to increase the capital stock by means of authorized capital by up to EUR 3,402,791.

Contingent capital
In the year 1999, a resolution was adopted on a contingent capital increase (**contingent capital I**) of up to EUR 63,911 by the issue of no-par bearer shares for purposes of granting conversion rights to the holders of convertible bonds. Up to the time of the balance sheet cut-off date, no shares had been issued under contingent capital I.

Additionally, a resolution was adopted in the year 2000 on a contingent capital increase (**contingent capital II**) of up to EUR 580,000 by the issue of no-par bearer shares for the issue of convertible bonds to eligible persons in accordance with the conditions as laid down from time to time. The eligible persons are the employees and officers of november AG as well as employees of companies related to november AG within the meaning of Art. 15 AktG (Companies Act). The contingent capital increase may only be conducted to the extent that the convertible bonds are issued and the holders of the convertible bonds exercise their right thereunder to purchase new shares. Up to the time of the balance sheet cut-off date, no shares had been issued on contingent capital II.

The general meeting of 28 May 2002 further resolved to increase the capital by up to EUR 2,760,000, divided into up to 2,760,000 shares (**contingent capital III**). The contingent capital increase will only be conducted insofar as the holders or creditors of conversion rights or purchase warrants which are attached to convertible or option bonds issued not later than 28 May 2007 by the company or by companies in which the company directly or indirectly holds a majority interest in accordance with the authorizing resolution of the general meeting of 28 May 2002 make use of their right of conversion or their option or holders or creditors of convertible bonds issued not later than 28 May 2007 by the company or by companies in which the company directly or indirectly holds a majority interest in accordance with the authorizing resolution of the general meeting of 28 May 2002 who have a duty to convert fulfil such duty to convert. The new shares shall participate in the profit from the start of the financial year in which they are created through the exercise of conversion or option rights or through the fulfillment of conversion duties.

The executive board is authorized, with the consent of the supervisory board, to specify all the other details for conduct of a contingent capital increase.

Contingent capital therefore exists in a total amount of EUR 3,403,911.

Accumulated loss
On inclusion of the net loss for the financial year 2002 of TEUR 5,924, the accumulated deficit as at 31 December 2002 amounted to TEUR 21,379.

Segmentation of financial information is done according to the business segments. A business segment is a part-activity of the november group which on the one hand produces specific products and provides specific services and which is, on the other hand, subject to specific risks and opportunities. In line with the change in organizational structure, and hence also the change in the internal reporting structure, in the year under review and thus in deviation to the business report of 2001, segmentation both for the year under review and the previous year is done according to the divisions responsif Therapeutic Solutions (in the previous year: "Molecular Therapy"), identif Technologies, directif Diagnostic Solutions, PEQLAB Biotechnologie GmbH (in the previous year: all included in "Molecular Diagnosis") and "Others". The latter comprises the "Biological Labeling" business, which was largely reduced in the year under review, the "Medical Products" activities which were out-licensed in the financial year 2001 to MediRox AB, and the la fontaine companies which were only consolidated up to 31 May 2001 (in the previous year all in the "Molecular Diagnosis" segment). The "responsif Therapeutic Solutions" business comprises the work fields of Drug Delivery and Immunotherapy. The PEQLAB division also includes the administrative costs of PEQLAB Biotechnologie GmbH.

The "transition" column covers amounts which are incurred as general administrative costs at november AG or which relate to the group as a whole and cannot be meaningfully allocated to the individual segments or business areas.

Gross assets

The gross assets are made up of all the operating assets that are used by a segment for its business activities. They include all assets with the exception of cash and cash equivalents, the short-term marketable securities, the tax prepayments included in "other assets", the investments including short-term portion, the investments valued according to the equity method and the capitalized deferred taxes.

The sum of TEUR 332 (previous year: TEUR 463) shown in the "transition" column is made up as follows:

Gross assets transition:

(in **TEUR**)	**31.12.2002**	**31.12.2001**
Intangible Assets	22	41
Plant, property and equipment	254	363
Other assets and prepaid expenses	56	59
Total	**332**	**463**

Liabilities
The segmental liabilities are the debts arising from the business activities of a segment. The segmental liabilities comprise the "trade accounts payable", the "advance payments received", parts of the "other liabilities" and the "accrued expenses".

Investments/Depreciation and amortization
The investments relate to additions to the gross assets as detailed above. Depreciation and amortization has been taken on the depreciable fixed assets included in the gross assets.

(in **TEUR**)		**identif Technologies**	**directif Diagnostic Solutions**	**responsif Therapeutic Solutions**	**PEQLAB**	**Other**	**Transition**	**Group**
Revenues and other operating income	2002	27	250	255	3,886	60	27	4,505
	2001	6	215	242	3,260	510	38	4,271
Research and development	2002	1,090	1,513	3,074		541		6,218
	2001	564	969	2,011		1,688		5,232
Depreciation and amortization	2002	69	93	857	55	29	330	1.433
	2001	28	83	156	43	143	359	812
Operating income/loss	2002	–1,785	–1,272	–4,091	205	–500	–2,260	–9,703
	2001	–565	–755	–1,769	–38	–1,987	–3,527	–8,641
Expenses for investments valued acc. to the equity method	2002							
	2001			–1,632				–1,632
Gross assets	2002	501	477	431	2,864	128	332	4,733
	2001	198	460	1,111	2,778	360	463	5,370
Liabilities	2002	178	289	794	498	116	502	2,377
	2001	89	144	264	453	255	675	1.880
Investments	2002	339	47	154	56	7	37	640
	2001	50	287	247	59	25	190	858
Investments valued according to the equity method	2002			*)				*)
	2001			.				.
Employees (average for the year on full-time basis)	2002	10	10	25	17	3	23	88
	2001	5	6	21	12	13	23	80

*) As in the previous year, the value attributable to ACGT ProGenomics AG (**9**) as at 31 December 2002 was EUR 1.

In deviation from previous year, part time employees were converted to full time employees within the calculation of the average number of employees. Previous year's figures were adjusted accordingly.

16 REVENUES

Group revenues increased in the year under review by 4% to TEUR 3,855 (previous year: TEUR 3,695). On an adjusted basis – i.e. excluding the revenues of la fontaine International GmbH & Co. KG in the previous year – revenue growth amounted to 21%. Group revenues break down for the individual companies as follows:

(in **TEUR**) **Company**	**2002**	**2001**
november AG	90	3
PEQLAB Biotechnologie GmbH	3,765	3,190
la fontaine International GmbH & Co. KG		502*)
Total	**3,855**	**3,695**

*) until deconsolidation at the end of May 2001

The revenues break down by geographical sales markets (location of the customers) as follows:

(in **TEUR**) **Financial year**	**Home**	**EU**	**Other**	**Total**
2002	3,363	98	394	3,855
2001	3,282	114	299	3,695

17 COSTS OF REVENUES

The costs of revenues in the year under review amounted to TEUR 2,131 (previous year: TEUR 2,276) Besides the directly attributable costs such as costs of materials and personnel expenses, they also include production-related overheads including depreciation and amortization of fixed assets (IAS 2).

18 COSTS OF SALES

In the financial year 2002, the costs of sales amounted to TEUR 2,100 (previous year: TEUR 2,139) and related to the PEQLAB business as well as the market launch of identif Technologies.

As in the previous year, cost of sales for the november group amounted to EUR 2.1 million. In the year under review, apart form cost of sales for PEQLAB Biotechnologie GmbH, market launch costs incurred within the identif Technologies unit amounting to EUR 0.7 million. Included for the last time in previous year's figure are costs for public and investor relations, which are since 2002 assigned to “general administrative expenses”, as well as costs in relations with la fontaine until they became deconsolidated at the end of May, 2001.

19 GENERAL ADMINISTRATIVE EXPENSES

In the financial year under review, the general administrative expenses amounted to TEUR 2,126 (previous year: TEUR 2,799) and comprise the expenses attributable to general administration and to the management. In particular, they include personnel expenses, depreciation and amortization of property, plant and equipment, proportional rental and energy costs, costs for the general meeting, costs for office supplies, and legal and other consultancy costs. The costs for stock exchange listing and designated sponsors (equity-related expenses) in an amount of TEUR 125 which last year were shown as general administrative expenses are now, as from the financial year 2002, reported as “other financial expenses” and are therefore shown outside of the operating results.

20 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenditure, which increased 19% in the year under review to altogether TEUR 6,218 (previous year: TEUR 5,232) is included in full in the income statement. The following table provides a breakdown of these costs:

(in **TEUR**) **Type of costs**	**2002**	**2001**
Personnel expenses	3,167	2,773
Material costs	275	377
Amortization	356	378
Outside services	965	643
Patent-related costs	579	387
Costs of premises	383	380
Other expenses	493	294
Total	**6,218**	**5,232**

The "other expenses" mostly comprise consultancy costs, costs for repairs/maintenance, as well as advertising and travel costs.

The research and development expenses are attributable to the projects as follows:

(in **TEUR**)	**identif Technologies**	**directif Diagnostic Solutions**	**responsif Therapeutic Solutions**	**Other**	**Total**
2002	1,090	1,513	3,074	541	6,218
2001	564	969	2,011	1,688	5,232

21 OTHER OPERATING INCOME

Other operating income in the financial year 2002 amounted to TEUR 651 (previous year: TEUR 576), including TEUR 484 (previous year: TEUR 457) in grants towards expenses received from institutions organized under public law, and otherwise primarily rental income from PEQLAB Biotechnologie GmbH.

The grants break down between the segments as follows:

(in **TEUR**) **Segment**	**2002**	**2001**
responsif Therapeutic Solutions	234	243
directif Diagnostic Solutions	250	214
Total	**484**	**457**

22 OTHER OPERATING EXPENSES

The other operating expenses in the financial year 2002 amounted to TEUR 1,445 (previous year: TEUR 276). They include in particular restructuring costs for the responsif Therapeutic Solutions and Biological Labeling activities in an amount of TEUR 1,272, with book value adjustments to property, plant and equipment, allocations to accruals for personnel measures as well as obligations assumed in connection with the spinning off of the aforesaid segments to responsif GmbH as at 1 January 2003 (effective economic date). The item also includes expenses for litigation risks, an increase in the accruals formed in the previous financial year for expenses in connection with a long-term tenancy agreement for the former business premises of la fontaine International GmbH & Co. KG, payments in connection with ACGT ProGenomics AG as well as costs of premises of PEQLAB Biotechnologie GmbH resulting from the subletting of premises.

24 EXPENSES FOR INVESTMENT VALUED ACCORDING TO THE EQUITY METHOD

The amount shown under this item for the financial year 2001 relates to the participating interest in ACGT ProGenomics AG. Because of the uncertain funding situation of the company, the acquisition costs for the shareholding in an amount of TEUR 1,632 were written down in full as at 31 December 2001.

25 OTHER FINANCIAL EXPENSES

The equity-related expenses for designated sponsoring (TEUR 117, previous year: TEUR 82) and stock exchange listing (TEUR 8, previous year: TEUR 10) are shown for the first time for the year under review as “other financial expenses” and are therefore no longer included in the operating result. In the previous year, these costs were reported as general administrative expenses.
The item also includes a writedown of TEUR 35 (previous year: TEUR 13) on short-term marketable securities whose market price at the time of sale had fallen below the book value on 31 December 2001 (see under (**2**)), as well as a specific bad debt charge on the interest claim of TEUR 7 (previous year: TEUR 9) accrued in the financial year on the loan to ACGT ProGenomics AG. The previous year's figure additionally included an adjustment for the loan to the said company in an amount of TEUR 127.

23 INTEREST INCOME

Interest income and expenditure was as follows:

(in **TEUR**)	**2002**	**2001**
Other interest and similar income	326	515
Other interest and similar expenses	46	75
Total	**280**	**440**

26 *INCOME TAX*

The sum of TEUR 3,715 (previous year: TEUR 2,868) shown for the financial year 2002 solely comprises income in connection with deferred taxes. These relate wholly to taxable losses which have not yet been utilized. For the responsif Therapeutic Solutions segment, deferred taxes amount to TEUR 1,687 (previous year: TEUR 1,058).

The following table shows a transition statement from the anticipated tax income for the financial year 2002 to the declared tax income. For calculation of the anticipated tax income, the overall tax rate of 38 % is multiplied by the result before tax.

(in **TEUR**)	
Anticipated tax income	3,644
Non-deductible equity valuation	–72
Adjustment in previous year's amount of deductions relating to ACGT ProGenomics AG	+143
Declared tax income	**3,715**

Earnings per share

27 *EARNINGS PER SHARE – IAS 33*

Pursuant to IAS 33, the earnings per share are calculated by dividing the consolidated result, adjusted for minority interests, by the weighted average number of shares outstanding during the year.

For calculating the average value of the outstanding shares, IAS 33 requires that shares which have been issued for cash be included in the calculation from the point in time at which payment can be demanded. Shares which are issued in connection with a company acquisition must, pursuant to IAS 33, be included in the calculation from the time of initial consolidation. The weighted average calculated in accordance with the foregoing is therefore 6,811,200 shares for the year 2002 (previous year: 6,663,200 shares).

The undiluted earnings per share amount to EUR -0.87 (previous year: EUR -1.07).

The diluted earnings per share differ from the earnings per share in that also the potential shares are included which would have been in circulation if the option rights associated with the convertible bonds issued to employees had already been exercised and the corresponding interest payable on the convertible bonds had therefore not been incurred. Diluted earnings per share are not shown for the periods concerned as the group made a loss. Were this figure shown, the diluted loss per share would be lower.

Discounting the restructuring costs for property, plant and equipment of the Drug Delivery segment and accruals for uncertain personnel liabilities, EPS would amount to EUR -0.75.

MATERIAL COSTS

The material costs based on the total cost method break down as follows:

(in **TEUR**)	**2002**	**2001**
Costs of raw materials and supplies and goods purchased for resale	2,292	2,278
Costs of external services	960	156
Total	**3,252**	**2,434**

PERSONNEL EXPENSES

The personnel expenses based on the total cost method break down as follows:

(in **TEUR**)	**2002**	**2001**
Wages and salaries	3,973	3,779
Social security contributions and other benefit costs	800	649
Restructuring costs	300	
Pension costs	31	32
Total	**5,104**	**4,460**

EMPLOYEES

The employees of the november group in full-time terms are attributable to the individual segments as follows (previous year's figures in brackets):

	identif Technologies	**directif Diagnostic Solutions**	**responsif Therapeutical Solutions**	**PEQLAB**	**Other**	**Administr.**	**Total**
Group							
Average	10 (5)	10 (6)	25 (21)	17 (12)	3 (13*)	23 (23)	**88 (80)**
31.12.2002	11 (8)	11 (9)	26 (23)	18 (15)	0 (11)	22 (24)	**88 (90)**

*) including the la fontaine companies up to the time of deconsolidation at the end of May 2001

The total full-time employees include three executive board members (previous year: two up to 31 October 2001 and three from 1 November 2001). In deviation from previous year, part time employees were converted to full time employees within the calculation of the average number of employees. Previous year's figures were adjusted accordingly.

28 CASH AND CASH EQUIVALENTS

The cash and cash equivalents shown in the cash flow statement as at the balance sheet cut-off dates were made up as follows:

(in **TEUR**)	**31.12.2002**	**31.12.2001**
Cash in hand and on deposit	6,859	7,075
Short-term marketable securities		1,004
Cash and cash equivalents	**6,859**	**8,079**

Total cash and cash equivalents taking into account the loan against borrower's note explained under (**9**) are as follows:

(in **TEUR**)	**31.12.2002**	**31.12.2001**
Cash and cash equivalents	6,859	8,079
Other current assets	8,000	8,000
Investments	1,000	8,000
Total cash and cash equivalents	**15,859**	**24,079**

INTEREST PAYMENTS/INCOME

The cash flow from operating activities includes interest payments in an amount of TEUR 44 (previous year: TEUR 95) and interest income in an amount of TEUR 316 (previous year: TEUR 479).

Other explanatory notes

DECLARATION PURSUANT TO ART. 285 NO. 16 HGB IN CONJUNCTION WITH ART. 161 AKTG

The declaration as required by Art. 161 AktG (Companies Act) has been issued and made available to the shareholders.

FINANCIAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Financial instruments
Financial instruments are contractual financial transactions involving a right to payment. According to IAS 32 (Financial Instruments: Disclosure and Presentation), they include:

- Original financial instruments such as trade receivables and payables as well as financial receivables and financial payables.

- Derivative financial instruments such as hedging transactions which are used to protect against risks arising from changes in currency rates or interest rates.

As in the previous financial year, no derivative financial instruments were used by the november group during the period under review.

The original financial instruments result from the trade receivables or payables, financial receivables (loans, marketable securities, cash and cash equivalents) and financial liabilities (bonds, loans) as shown in the balance sheet.

The “other receivables/liabilities” and “trade accounts receivable and payable” are, by definition, financial instruments, but in view of their relatively minor significance for the financial management of the company (companies), do not need to be shown in detail under financial instruments. Because of their short-term nature, there are no significant differences between their book value and market value.

The financial receivables are shown under (**2**) and (**9**).

Financial management and financial risk management
The financial management of november AG is designed to ensure the ability to meet the short, medium and long-term liquidity requirements of the company as determined on the basis of the planning accounts for the ongoing business activities as well as for special needs. Consequently, substantial portions of the total liquidity are held in asset forms which are available at short notice and which involve very little or no risk. These include in particular current account credit balances held at banks, call money and deposits with a term of less than one year, which together account for the overwhelming majority of the financial resources of november AG available at short notice.

The task of financial risk management is to keep the risk involved in the investment strategy at the lowest possible level and, by constantly monitoring developments on the capital markets, to select the best risk-optimized investment alternatives at any time.

CONTINGENT LIABILITIES

A bank balance amounting to TEUR 250, which has been deposited as key money, was given by way of security to the issuer of a guarantee credit (”Avalkredit”).

LEASING

No capitalizable leasing agreements pursuant to IAS 17 existed either in the year under review or in the previous year. Expenses for operating leasing during the financial year are included in the income statement in an amount of TEUR 616 (previous year: TEUR 534). The expenses included in the previous year's figure for a leasing back-payment were settled in full in the financial year 2002.

OTHER FINANCIAL OBLIGATIONS

Purchase and participation agreement
Under the purchase and participation agreement concluded with responsif GmbH on 21 February 2003, november AG has agreed to grant responsif GmbH a loan in an amount of EUR 1.65 million until 1 April 2003 in order to secure initial financing.

Rental and leasing obligations
All other financial obligations are shown at nominal value and are expected to cause the following outflows during the next five years:

(in **TEUR**)	2003	2004 to 2007	after 2007
Real estate	**550**	**2,216**	**3,184**
- november AG	431	1,741	2,867
- PEQLAB Biotechnologie GmbH	119	475	317
Movables	**64**	**86**	0
- Vehicle leasing	52	82	0
- Operational and office equipment	12	4	0

RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

Rental agreement with Langer & Partner GbR mbH
Dr. Bertling (CEO of november AG), Dr. Steib (deputy supervisory board chairman of november AG) and Dr. Rüdinger (supervisory board member of november AG up to 30 December 2002) as well as other shareholders of november AG each hold a 20 % share in Langer & Partner GbR mbH.

Since 1998 and 1999, november AG has rented the office and laboratory buildings it uses from Langer & Partner GbR mbH. The rental agreement was restructured in a leasing agreement concluded on 2 October 2001. The leasing agreement was concluded "at arms length", on the basis of expert opinions prepared by independent auditors and real estate experts.

The total tenancy period is 13.5 years, starting on 1 November 2000. The annual rental for the following financial year of TEUR 358 is payable in monthly installments of TEUR 30 each, which are due at the beginning of each month. The rental amount is made up of a contractually agreed percentage of the total investment costs plus depreciation and amortization, as well as an amount for administration and maintenance which increases annually by a fixed percentage.

At the end of the fixed tenancy period, november AG has been granted a unilateral purchase option. The purchase price is to be based on the total investment costs less depreciation and amortization on the buildings.

Additionally, a further rental agreement was concluded “at arms length” with Langer & Partner GbR mbH on 14 December 2001 for an adjacent plot of land with a car park and buildings. The tenancy agreement has been concluded for an indefinite term. The rental is currently TEUR 73 p.a..

Purchase agreement with Dr. Bertling
Under a purchase agreement of 11 March 1998, november AG acquired several industrial property rights and applications for such rights from Dr. Bertling for a net purchase price of EUR 57,661. The agreement provides that in the event of Dr. Bertling being deprived of his commercial signatory powers or of his management responsibility or being dismissed from the executive board as the member responsible for Technology, he will only be paid a profit-related license fee with a minimum amount of approx. EUR 1 million.

Exclusive license agreement of November 1998
Dr. Wolf M. Bertling also holds a 10 % share in the above-mentioned license agreement as one of the licensors. The licensors have granted november AG an exclusive license for utilization of the subject matter of the license. The agreement requires november AG to pay a profit-related license fee to the licensors in future.

Contract for services with the “Fine Arts” advertising agency
A contract for services was concluded in the financial year 2002 with the Fine Arts advertising agency of Munich. Fine Arts fulfils the criteria of IAS 24.3 e) as a company closely related to the management of november AG. The agency was selected according to economic criteria on the basis of competitive offers. The agency has provided marketing services defined in the contract in return for a fixed fee as well as other services paid for according to its general scale of charges. november AG purchased services from the agency in an amount of TEUR 181 during the financial year 2002.

Consultancy agreement with Prof. Dr. Dr. h.c. Karl Wilhelm Pohl
During the financial year 2002, a consultancy contract was concluded with the executive board chairman of november AG, Prof. Dr. Dr. h.c. Karl Wilhelm Pohl. The agreement provides in particular for consultancy services to november AG in the field of customer acquisition. Payment under the agreement comprises a fixed monthly amount together with an incentive component. In the financial year 2002, november AG purchased such services in an amount of TEUR 14.8.

Membership of Dr. Steib at scientific advisory board of november AG
Dr. Steib is member of the supervisory board and also of the scientific supervisory board of november AG. Within the consolidated financial statement, attendance fees amounting to TEUR 1 are included.

Membership of Mr Linn at financial advisory board of november AG
Mr Linn is member of the supervisory board and also of the financial supervisory board of november AG. Within the consolidated financial statement, attendance fees amounting to TEUR 1 are included.

Information on the supervisory board and the executive board

The members of the executive board and the supervisory board hold the following offices or posts (shown in italics) on legally constituted boards of directors or similar governing bodies of business enterprises.

EXECUTIVE BOARD

Dr. Wolf M. Bertling, Erlangen,
chief executive officer
Ribopharma AG
Profos AG
VCH Private Ventures GmbH & Co. KGaA

Hans-Dieter Tresser, Dipl.-Kfm., CPA (U.S.A.),
Hofheim am Taunus
chief financial officer (until 28 February 2003)

Dr. Thomas Schulze, Dipl.-Biol., Baiersdorf
chief operating officer
Artemis AG

In 2002, the total emoluments of the executive board amounted to TEUR 377 (previous year: TEUR 334) and resulted exclusively from fixed salary components. As at 31 December 2002, there were no payment components with long-term incentive effect which were required to be shown separately.

The members of the executive board are entitled to acquire convertible bonds under the employee participation scheme of november AG. As at the balance sheet cut-off date, Mr. Tresser held 10,000 convertible bonds and Dr. Schulze 6,000.

SUPERVISORY BOARD

At the extraordinary general meeting of november AG on 30 December 2002, a new supervisory board was elected which will hold office until the ordinary general meeting that resolves on the financial year 2002. The existing supervisory board with the members named below resigned from office with effect as of 30 December 2002. Dr. Leo Steib was re-elected onto the new supervisory board by the extraordinary general meeting.

The members of the supervisory board up to 30 December 2002 were as follows:

Dr. Gerald Möller, Dipl.-Chem., Heidelberg, chairman
Business consultant
BioAgency AG (chairman)
FeBit GmbH (chairman)
Mannheim LLC
Morphosys AG (chairman)
MTM GmbH
Pelican Inc. (chairman)
Powder Ject Pharmaceuticals PLC (vice chairman)
4sigma (Bermuda) Ltd. (chairman)

Dr. med. Leo Steib, Erlangen, deputy chairman
Physician and biologist

Ingolf Knaup, Dipl.-Kfm., Zirndorf,
Business consultant
Knürr-Mechanik für die Elektronik AG (chairman)

Ulrich Kraft, Dipl.-Kfm., Ludwigsburg,
Managing director

Dr. med. Dr. Ing. Wolfgang Rüdinger, chemist, Mannheim,
Managing director

Dr. Herbert Wörner, Dipl.-Kfm., Grünwald,
Business consultant
BSH Elettrodomestici S.p.A. (chairman of the board of directors)
BSH Electroménager S.A. (chairman)
BSH Home Appliances Ltd.
CCR Logistics
RWE-Net AG
Thyssen-Krupp Stahl AG
Vogt electronic AG

The members of the supervisory board elected by the extraordinary general meeting on 30 December 2002 are as follows:

Prof. Dr. Dr. h.c. Karl Wilhelm Pohl, Cologne, University of Heidelberg, chairman
Lawyer
Brandenburgische Schlösser GmbH (deputy chairman)
DIAMOS AG
SERVICEDOC.COM AG (chairman)
Softline AG

Dr. med. Leo Steib, Erlangen, deputy chairman
Physician and biologist

Horst Linn, Eschenfelden
Entrepreneur
Antisense-pharma
SiCrystal AG
S-ReFIT AG

Günter Frankenne, Berg
Business consultant
Fairvest AG (chairman)
IGENEON AG
LCG International AG (chairman)
probiodrug AG (chairman)
Ribopharma AG (chairman)
XERION AG (chairman)

Dr. Werner J. Schönfeld, Münchenstein (Switzerland)
Business consultant
GUB Schweiz KGaA

Walter Schurmann, Kössen (Austria)
Lawyer and accountant
ELIA Tuning & Design AG (deputy chairman)
Glasauer Wagniskapital KGaA
GUB Capital AG
Oberdorfer AG (chairman)
PDN Plan + Design Netcare AG (chairman)
Providentia Rechtsanwalts AG
Providentia Steuerberatungs AG
Renairgy AG (deputy chairman)

For the emoluments of the supervisory board of november AG, accruals were made for the financial year 2002 in an amount of TEUR 88 (previous year: TEUR 88).

Number of shares and rights to shares of november AG held by members of the executive and supervisory boards

Member	Shares held on 31.12.2002	Shares held on 31.12.2001
1. Executive board		
Dr. Wolf M. Bertling	888,292	888,292
Hans-Dieter Tresser*)		
Dr. Thomas Schulze	4,554	4,554
2. Supervisory board		
(since 31.12.2002)		
Prof. Dr. Dr. h.c. Karl Wilhelm Pohl (chair.)		
Dr. Leo Steib (dep. chair.)	113,748	113,748
Günter Frankenne	90	
Dr. Werner J. Schönfeld		
Horst Linn	6,000	
Walter Schurmann	1,641	
(up to 30.12.2002)		
Dr. Gerald Möller (chair.)		
Dr. Leo Steib (dep. chair.)	113,748	113,748
Dr. Herbert Wörner	51	51
Dr. Wolfgang Rüdinger	4,906	4,906
Ingolf Knaup		
Ulrich Kraft		3,238

*) CFO until 28 February 2003

Erlangen, March 2003

Dr. Wolf M. Bertling Dr. Thomas Schulze

Statement of changes in assets of the group for the financial year ended 31 Dezember 2002

Figures in **EUR**	Acquisition costs 01.01.2002	Addition	Transfer	Disposal	31.12.02
I. INTANGIBLE ASSETS					
Industrial property rights and similar rights and assets, including licenses on such rights and assets	237,818	29,263			267,081
Goodwill	1,897,033				1,897,033
	2,134,851	**29,263**			**2,164,114**
II. PROPERTY, PLANT AND EQUIPMENT					
Buildings on land owned by others	892,346	107,713			1,000,059
Technical equipment and machinery		225,308			225,308
Other operational and office equipment	2,539,648	274,085		6,489	2,807,243
Prepayments made on technical equipment		3,960			3,960
	3,431.994	**611,066**		**6,489**	**4,036,570**
III. INVESTMENTS					
Investments valued according to the equity method	1,632,000				1,632,000
Loans to undertakings in which the company holds a participating interest			143,646		143,646
Other loans					
- long-term share *)	8,035,203		1,029,068	8,000,000	1,064,271
- short-term share **)	8,000,000	8,000,000		8,000,000	8,000,000
	17,667,203	**8,000,000**	**1,172,714**	**16,000,000**	**10,839,917**
Total	**23,234,048**	**8,640,329**	**1,172,714**	**16,006,489**	**17,040,602**

*) The long-term share of the “other loans” is shown under the balance sheet item “investments” (**9**).
) The short-term share of the “other loans” is shown under the balance sheet item “other current assets” (5**).

Accumulated depreciation						Book values	
01.01.02	Addition	Unscheduled Depreciation	Transfer	Disposal	31.12.02	31.12.02	31.12.02
61,184	41,350	52,008			154,542	112,539	176,634
221,320	189,703				411,023	1,486,010	1,675,713
282,504	**231,053**	52,008			**565,565**	**1,598,549**	**1,852,347**
139,185	99,312	232,633			471,130	528,929	753,161
	22.531				22,531	202,777	
917,234	375,580	419,623		2,494	1,709,943	1,097,300	1,622,414
						3,960	
1,056,419	**497,423**	**652,256**		**2,494**	**2,203.604**	**1,832,966**	**2,375,575**
1,631,999					1,631,999	1	1
			143,645		143,645	1	
						1,064,271	8,035,203
						8,000,000	8,000,000
1,631,999			**143,645**		**1,775,644**	**9,064,273**	**16,035,204**
2,970,922	**728,476**	**704,264**	**143,645**	**2,494**	**4,544,814**	**12,495,788**	**20,263,126**

AUDITORS' REPORT

We have audited the consolidated financial statements, consisting of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the notes to the consolidated financial statements drawn up by november AG Gesellschaft für Molekulare Medizin, Erlangen, for the financial year from 1 January to 31 December 2002. The preparation and content of the consolidated financial statements are the responsibility of the company's executive board. Our responsibility is to express an opinion, based on our audit, as to whether the consolidated financial statements comply with the International Accounting Standards (IAS).

We have conducted our audit of the consolidated financial statements in accordance with German auditing regulations and the standards of the Institut der Wirtschaftsprüfer (German Institute of Auditors, IDW) for auditing financial statements. According to these regulations, the audit is required to be planned and conducted in such manner as to be able to judge with reasonable certainty whether the consolidated financial statements are free of material misstatements.

In the course of the audit, the evidence supporting the figures reported and the disclosures made in the consolidated financial statements are assessed on the basis of random samples. The audit includes an assessment of the accounting principles applied and the main appraisals of the executive board as well as an evaluation of the overall picture presented by the consolidated financial statements.

We are satisfied that our audit provides a sufficiently reliable basis for our opinion.

It is our opinion that the consolidated financial statements are in compliance with the International Accounting Standards and provide a true and fair view of the financial and earnings position of the group and its cash flows during the financial year.

Our audit, which also included the consolidated management report drawn up by the executive board for the financial year from 1 January to 31 December 2002, did not give rise to any objections on our part. In our opinion, the group management report provides an altogether true and fair view of the position of the group and accurately discloses the risks that may affect future developments.

We further confirm that the consolidated financial statements and the consolidated management report for the financial year from 1 January to 31 December 2002 satisfy the conditions for exemption of the company from the obligation to prepare consolidated financial statements and a consolidated management report in accordance with German law.

Stuttgart, 20 March 2003

Wirtschaftstreuhand GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Prof. Dr. Heni	Kaebsch
Auditor	Auditor

Biotechnology	Use of living or dead organisms or biologically active parts of organisms in technological processes
Blockbuster	American expression for particularly successful products; in this case: medical drugs
brandprotection	System for machine-readable marking and on-site identification of goods or packaging using **>>DNA** as a biotechnological code **(>>identif Technologies)**
brandsealing	Cluster-based system for visible and machine-readable marking of surfaces either directly or by means of a label (**>>identif Technologies**)
Cluster	Signal-enhancing nanoscopically small metal particles, with marked color-changing effect when applied in thin films. Basis for **>>brandsealing**
Cartridge	In this context: Plug-in measuring device for one-time use within an appropriate analytic system **>>directif Diagnostic Solutions**
Compliance Marker	Application of Biological Labeling to animal vaccines. Other potential uses lie in quality control
directif Diagnostic Solutions	Business division of november AG that develops integrated systems for nucleic acid diagnosis at the **>>point of care**
DNA/DNS	Deoxyribonucleic acid. Chain molecule consisting of four different building blocks. In nature, the carrier of genetic information with a high information storage density. Synthetically manufactured DNA chains are used as the product code for **>>brandprotection**
Drug delivery system	System for the transport of pharmaceutically active ingredients within the body. Prevents active ingredients from i.e. being degraded by the body before reaching the place at which they are intended to take effect
identif Technologies	Business division of november AG that develops product and brand protection solutions
Immunotherapy	Treatment of illnesses by influencing the immune system (usually by stimulating it)
Molecular biology	Science of the molecular structure and function of the nucleic acids

Molecular medicine	Field of medicine that combines experimental medical research with the methods of molecular biology
Nucleic acid	Carrier of genetic information. Changes at nucleic acid level can trigger illnesses (**>>directif Diagnostic Solutions**)
Nucleotide	Basic building block of DNA
Pathogen	Microorganism that causes illness, e.g. bacteria such as salmonella
Point of care (POC)	The place of treatment, e.g. hospitals, doctors' surgeries. For example: patient-near diagnostics with systems from **>>directif Diagnostic Solutions**
Preclinics	First phase of drug testing, aimed at determining the effects and safety of a substance prior to clinical testing on humans. Additionally: toxicological testing
Protein	Long chain of amino acids
recombinant	Obtained or produced by genetic engineering methods
responsif Therapeutic Solutions	Business division of november AG working on the development of innovative approaches for combating cancer by means of immunotherapy. Was spun off as *responsif GmbH*
Toxikology	The “science of poisons”. Studies to determine whether substances are poisonous
Tumor vaccination	Method for stimulating the immune system in order to support the body in fighting cancer **>>responsif Therapeutic Solutions**

Executive board

Dr. Wolf M. Bertling, Erlangen
Founder and chief executive officer

Hans-Dieter Tresser, Dipl.-Kfm., CPA (U.S.A), Hofheim am Taunus
Chief financial officer (until 28 February 2003)

Dr. Thomas Schulze, Baiersdorf
Chief operating officer, with responsibility for Business Development, Marketing, Sales and Human Resources

Supervisory board

Prof. Dr. Dr. h.c. Karl Wilhelm Pohl, Cologne
Chairman of the supervisory board
Lawyer, senior partner in a business law firm in Cologne,
University of Heidelberg (Media Law)

Günter Frankenne, Berg
Business consultant

Horst Linn, Eschenfelden
Entrepreneur

Dr. Werner J. Schönfeld, Münchenstein (Switzerland)
Business consultant

Walter Schurmann, Kössen (Austria)
Lawyer and accountant

Dr. Leo Steib, Feucht
Deputy chairman of the supervisory board
Physician and biologist

Substitute members:

Dr. Hartwig Ingwersen, Erlangen
Dr. Agnieszka Janosza-Jankowski, Rheinfeld (Switzerland)
Dr. Peter Kaut, Munich
Dr. Albert Scheller, Bad Heilbrunn

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