Annual Report **2004**



november AG

Financial key figures of the november Group since 1997 (IFRS)

(in **TEUR**, exceptions: employees, net earnings per share)	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**Changes 03/04**
Revenues	34	206	1,267	1,808	3,695	3,855	4,424	5,586	26%
R&D costs	178	574	1,397	3,294	5,232	6,218	3,432	2,808	-18%
Restructuring						1,272			
Operating income/loss (EBIT)	-400	-993	-2,798	-6,301	-8,642	-9,703	-4,449	-4,220	-5%
Net income/loss	-324	-1,063	-2,924	-4,175	-7,122	-5,924	-2,817	-2,139	-24%
Net earnings per share as per IAS 33 in EUR	-8.06	-5.64	-2.78	-0.72	-1.07	-0.87	-0.41	-0.29	-29%
employees (on average of the year)*	6	16	39	69	80	88	63**	63	0%
Total liquidity	2,716	2,347	2,625	35,034	24,079	15,859	12,495	8,837	-29%
Shareholder’s Equity	713	573	951	37,536	32,046	26,122	26,516	24,377	-8%
Balance Sheet Total	2,967	3,822	4,311	43,254	35,010	29,583	28,646	27,682	-3%

* Starting in 2001, the number of employees has been converted to full time employees
** MBO of the theapeutic business unit in January 2003

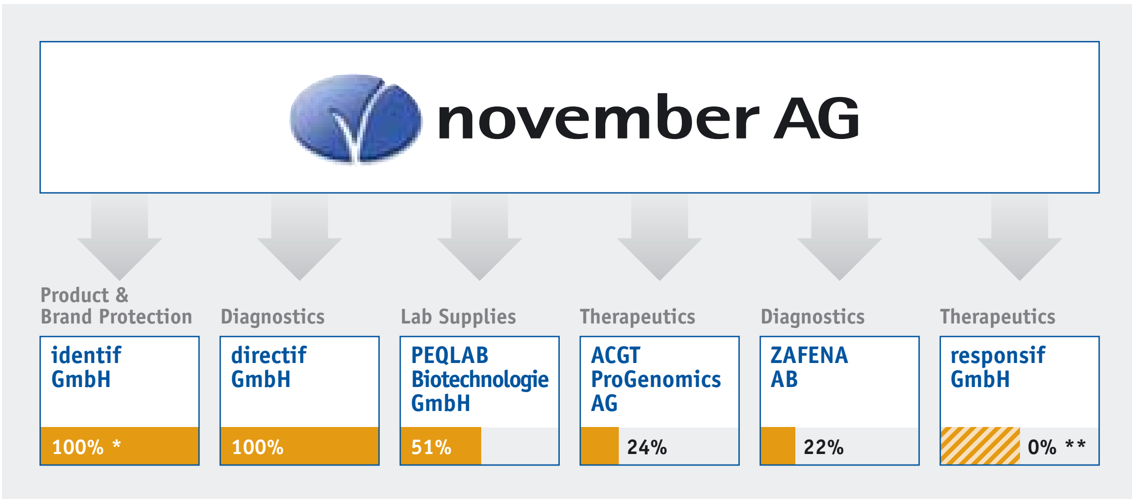
Key figures for november AG's shares

All figures in EUR	2004	2003
Earnings per share (IAS 33)	- 0.29	- 0.41
Highest (XETRA closing price)	7.45	9.31
Lowest (XETRA closing price)	4.30	1.40
Year-end closing price (XETRA)	5.60	6.20
Average price (XETRA closing price)	5.54	3.88
Average daily trading volume (XETRA, in number of shares)	7,472	9,282
Market capitalization at year-end	41,822,592	46,303,584
Average number of shares	7,468,320	6,859,809
Beta factor in relation to Prime Pharma & Health Care Performance Index	1.10*	1.22**

* for three years: 01/01/2002 – 12/31/2004
** for two years: 01/01/2002 – 12/31/2003

The november family

november AG has specialized as a development and investment company in the fields of biotechnology and nanotechnology. The november Group thereby concentrates on the development of product and technology platforms in the areas of diagnostics, product and brand protection, as well as on the development of medical therapy approaches. These are commercialized through clearly structured subsidiaries that specialize in their respective fields, as well as through affiliates and partners. The innovation and development strengths of the november Group form the basis for sustained corporate growth.



* Future 10% equity stake of DuPont Packaging & Industrial Polymers (P&IP)
** Participation of economic success and options for up to <50% of shares

SECURITY FOR BUSINESSES AND CONSUMERS - identif GmbH

(Formed by spin-off on 31 December 2003)
The wholly owned november subsidiary *identif GmbH* develops two alternative marking technologies to provide effective product and brand protection. Its two complementary systems – DNA-based product codes and the nano-optical seal – offer security against product piracy and illegal overproduction as they enable efficient control of the distribution channels. The falsification-proof, machine-readable technologies of *identif GmbH* – DNA label and nanotechnological label – are already in use by a number of pharmaceuticals companies for marking cancer and HIV drugs. Nano-optical seals are likewise already being used and marketed as a security feature for bank notes or automotive and aircraft parts. The unique feature of both systems is that they can be immediately checked on site by means of mobile scanners.

CERTAINTY FOR PATIENTS - directif GmbH

(Formed by spin-off on 31 December 2003)
directif GmbH is developing the world's first fully integrated system for automated, laboratory-independent nucleic acid diagnosis. This technology will in future enable pathogens to be detected and identified directly in the doctor's surgery or by the patient's bedside. To this end, the system integrates all the analysis steps that have hitherto had be performed individually in the laboratory in a single disposable cartridge. The sample results are evaluated within two hours by an analyzer unit. Compared to conventional laboratory analysis, the "lab on a chip" of *directif GmbH* is significantly faster and cheaper as neither a laboratory infrastructure nor the correspondingly trained personnel are required. The range of applications for this method is enormous. It is able, for instance, to detect genetic risk factors in patient samples such as an elevated propensity to thrombosis, or to identify HIV viruses in the blood or salmonella bacteria in foodstuffs.

EQUIPMENT SUPPLIER OF THE BIOTECH INDUSTRY - PEQLAB Biotechnologie GmbH

PEQLAB Biotechnologie GmbH, a majority-owned subsidiary of november AG, offers researchers in universities and industry a broad range of molecular biology research equipment and materials as well as services in the field of basic molecular biology research. The company is firmly established on the market and achieves constant double-digit sales growth.

INNOVATIVE THERAPIES - responsif GmbH

(Formed by management buyout in early 2003)
The interests of november AG in the success of *responsif GmbH*, a company formed out of november's former Therapy project team, are safeguarded by contractual agreements.
responsif GmbH develops methods for reactivating the somatic immune response against cancer cells. Following approval by the responsible Ethics Commission, clinical testing of this immune therapy approach began in 2004. A second cancer therapy approach is currently undergoing preclinical studies. In addition to the development of its immune therapy approaches, *responsif GmbH* also offers contract research.

EQUITY PARTICIPATION

ACGT ProGenomics AG was founded in the year 2000 and is primarily concerned with the development of a test method for Alzheimer's disease based on a proprietary approach. Because of the uncertain funding basis, november AG fully wrote down its investment in 2002. However, this does not affect the possibilities for commercialization of the diagnostic and therapeutic methods concerned.

Since the formation of *ZAFENA AB* in 2004, november AG has held a 22.4 percent stake in this Swedish biotechnology and pharmaceuticals company. *ZAFENA* develops, produces and markets products for blood banks as well as diagnosis and therapy in the field of blood coagulation. The company has its head office in Vetra Kloster, Sweden.

november AG

On the right course

Dear Shareholders, Business Partners and Customers,

PD Dr. Wolf M. Bertling

Once again last year, november AG successfully continued on its growth course. This was largely due to our new group structure as a development and investment holding company. Thus, our former Product/Brand Protection and Molecular Diagnostics Divisions began operations on 1 January 2004 as two separate, wholly owned subsidiaries, *identif GmbH* and *directif GmbH*. The interests of november shareholders in the success of the *responsif GmbH* company are protected through contractual agreements. november also holds minority shareholdings in *ZAFENA AB* and *ACGT ProGenomics AG*. This structural organization in the form of a holding has the purpose of making the subsidiaries more attractive for market and customer needs and facilitating cooperation with strategic and financial partners. The success of this strategy is confirmed by repeat orders of existing customers and contracts with new customers that we were able to conclude last year.

The very positive increase in sales by 26 percent to EUR 5.6 million (2003: EUR 4.4 million) is due to the intensification of our marketing activities and the advanced market readiness of our products. Another noteworthy highlight is the further improvement in EBIT by 5 percent to –4.2 (2003: EUR –4.5 million) and in earnings per share by 29 % to EUR –0.29 (2003: -0.41).

Product performance through innovation, quality and customer benefit

Through innovative development approaches, our products and developments are designed to produce maximum customer benefit. Because of the financial damage and image loss suffered by manufacturers through product piracy, the issue of product and brand protection is gaining increasing public awareness. But not only producers, also the consumers themselves can be affected: a pirated product means lower quality and can – in the case of counterfeit drugs – even be haardous to health. The two complementary marking systems of our *identif GmbH* subsidiary offer reliable protection against product piracy and illegal overproduction by allowing effective control of the distribution channels. One feature of our products that is unique throughout the world is that these high-security codes can be read by

hand-held scanning devices – anywhere, any time and directly on site! They therefore offer the highest level of security against falsification. Our marketing success was also sufficient to convince the US second-biggest chemicals group DuPont, whose Packaging & Industrial Polymers (P&IP) business unit concluded a license and supply agreement with *identif GmbH* at the end of last year and also acquired a direct stake in the company. As the world's leading supplier of packaging solutions, DuPont P&IP now holds the exclusive worldwide marketing rights to our marking systems for the next five years.
The acquisition of a 10 percent share in *identif GmbH* further reflects DuPont P&IP's conviction of the prospects for this november subsidiary. We expect the license and supply agreement to result in substantial revenues.

Among our most prominent customers is the pharmaceuticals company Bristol-Myers Squibb (BMS), which equips a number of its drugs products with our DNA marking system. Another of our products that has won high acceptance for high-security applications is our nano-optical seal with its brilliant color change effect. Marketed under the name "Colour Switch", this banknote security feature is being applied this year to a new South-East Asian currency by our development partner and licensee, Hueck Folien GmbH.

Advancing product maturity and nearing market readiness in Diagnostics and Therapy

Our *directif GmbH* subsidiary is developing the world's first fully automated system for rapid genetic (nucleic acid) diagnostics outside of the laboratory. The system is currently undergoing final adjustment for routine processes. This innovative technology allows pathogens to be detected on site in the doctor's surgery or by the patient's bedside. During the development, we are working in cooperation with powerful industrial companies such as Siemens Medical Solutions as well as Wilden AG, a specialist in the series production of medical plastics systems. The complete system will achieve series readiness this year, with first prototypes being supplied to industrial customers towards the end of the year.

Also deserving of special mention is the success of *responsif GmbH*, the former Therapy Division of november AG, in which november holds a profit sharing and participation option. Since becoming independent under a management buy-out last year, the company has, after receiving approval from the Ethics Commission, embarked on the clinical testing of its immune therapy solution. This cancer therapy approach involves the marking of tumor cells with the aim of triggering a somatic immune response, which therefore has virtually no side effects for the patients. Renal cell carcinoma, the third-commonest form of tumor in the urinary tract, has been selected as the first indication. Some 12,000 new cases of renal cell carcinoma occur in Germany every year. If the trials are successful, we expect this innovative immune therapy to produce significant returns within a few years. A second immune response therapy approach is now also in preclinical testing. In addition to the development of immune therapy systems, *responsif GmbH* is also planning to expand its Contract Research business. Further strategic and financial partnerships will assure the success of this business model.

New member of the november Group

Since August 2004, the november family has had a new member: *ZAFENA AB* of Sweden. This biotechnology company was formed last year through the spin-off of a former business division of the Swedish company MEDIROX AB, which had previously assumed the marketing for a blood coagulation device developed by november AG. november acquired a 22 percent shareholding in *ZAFENA*. Through the transfer of patents and licenses, the acquisition of the holding involved only insignificant amounts of liquidity. With its focus on anticoagulation and point-of-care diagnostics, we see considerable synergy potential especially with our Molecular Diagnostics and Therapy activities. *ZAFENA* also has further potential through the anticoagulant additives it has developed for the preservation of stored blood. It will likewise continue to market the blood coagulation monitoring device developed by november AG.

Membership of the "BIO Deutschland" biotechnology association

It is our firm belief that biotechnology will be one of the key technologies of the 21st century. Through innovative therapy and diagnostics, it will contribute to improving individual quality of life. Its economic potential is enormous. This is one of the reasons why november AG has become a member of the newly established, independent biotechnology association "BIO Deutschland" (Biotechnology Industry Organization Germany). Our aim is to create an interest group on the American model and thus be able to exercise stronger influence on the relevant political decision-making processes.

Prospects 2005

Thanks to our new corporate structure and our innovative products and technology platforms, we believe we are on the right course for the future. While *directif GmbH* is now scheduling to put its cartridges and analyzers into series readiness, *identif GmbH* is continuously working on optimization of its security systems in order to be able to respond even more specifically to customer wishes. Our *PEQLAB Biotechnologie GmbH* subsidiary intends to further grow its sales and exports this year and so continue to maintain the double-digit sales growth it has enjoyed hitherto. Our partly owned subsidiary *ZAFENA AB* will also accelerate the market readiness of its anticoagulant additives in 2005.

The restructuring of the group has demanded above all great commitment from our personnel. I would like to express my thanks to them, as well as to all our customers and partners, for their good cooperation in the past year. I equally wish to thank our investors for the faith they are continuing to place in us.

Dr. Wolf M. Bertling

Dear Shareholders,

Dr. med. Leo Steib

With effect as of 1 January last year, two former business divisions of november AG – Brand and Product Protection, and Molecular Diagnostics – commenced their operating activities as wholly owned subsidiaries. The new group structure was adopted with the aim of enhancing the market opportunities for the products of the november Group and of increasing the attractiveness of the holding as a whole for strategic and financial partnerships. New cooperations and shareholdings that we were able to enter into in the course of the fiscal year 2004 confirm the success of this strategy. We are convinced that this approach will also enable us to successfully advance the further commercialization of our product developments.

A "thank you" to our shareholders and colleagues on the supervisory board

Speaking also in the name of my fellow supervisory board members, I would like to take this opportunity to thank you for the trust with which you confirmed us in office at the ordinary general meeting in May 2004 with a majority of 99.86 percent. I also wish to thank my colleagues on the supervisory board for electing me as the new supervisory board chairman at the meeting of 20 September. Prof. Dr. Dr. h.c. Karl Wilhelm Pohl, who had been a member of the board since December 2002, stepped down from his office as chairman of the supervisory board on his own request in July 2004. His place as a member of the supervisory board was filled from the list of substitute members by business consultant Dr. Agnieszka Jankowska.

Close cooperation

At its meetings during the year under review, the supervisory board of november AG performed the duties incumbent upon it pursuant to statutory provisions, the company's statutes and the Corporate Governance Code. It monitored and advised the company's management board.

At four meetings and through numerous individual contacts during the year 2004, the management board and management officers kept the supervisory board informed of the progress of business and the situation of the november Group. The managing directors of the november subsidiaries *identif GmbH*, *directif GmbH* and *PEQLAB Biotechnologie GmbH* reported on their respective companies. Also *responsif GmbH*, the former Therapy Division of november AG and, since its management buy-out in January 2003, no longer consolidated within the group, reported on its business progress under a voluntary arrangement. The chairman of the supervisory board and his colleagues maintained regular contact with the management board, and discussed with it the strategy, business development and risk

management of the enterprise. The supervisory board was also kept regularly informed by the management board and officers of all material developments and decisions. All measures requiring the consent of the supervisory board were discussed in detail.

Stake in the Swedish company ZAFENA AB

During the year under review, the supervisory board concerned itself in close detail with a large number of topics relevant to the business. One of these was the acquisition of a shareholding by november AG in *ZAFENA AB*, a newly formed Swedish biotechnology company. As the focus of *ZAFENA*'s activities is on the field of blood banks and the diagnosis and therapy of cardiovascular diseases, synergy effects should arise in particular with *directif GmbH*. The company also has numerous products which are ready for market and, thanks to its technologies, is able to further develop the former november project "novi quick", a device for monitoring and analyzing blood coagulation. The supervisory board welcomed the acquisition of the shareholding in view of the many advantages it offers. A further positive aspect was the small amount of liquidity involved in the deal since it was largely financed through the transfer of patents and licenses which were made available through cancellation of the agreement formerly existing with MEDIROX AB.

Extension of CEO's contract

At its meeting of 18 March 2004, the supervisory board unanimously resolved to confirm Dr. Wolf M. Bertling in his position as chief executive officer of november AG up to 17 March 2009.

Cooperation with DuPont Packaging & Industrial Polymers (P&IP)

The management board and officers and the managing director of *identif GmbH* also kept the supervisory board regularly informed in the course of the fiscal year on the outcome of the negotiations with the Packaging & Industrial Polymers business unit of the US chemicals company DuPont. Already in May 2004, *identif* and DuPont Packaging & Industrial Polymers (P&IP) signed a joint letter of intent concerning evaluation of the future commercialization opportunities offered by the product protection solutions developed by *identif*. One option was, right from the beginning, a direct shareholding by DuPont P&IP in *identif*. The supervisory board satisfied itself of the sales potential arising from the intended cooperation and of the advantages of global marketing by the US company. Ultimately, therefore, at the end of the year, *identif GmbH* and DuPont P&IP signed a license and supply agreement for the exclusive worldwide marketing of the security systems by the American company. Under another agreement, DuPont P&IP also acquired a 10 percent stake in *identif GmbH*.

Convertible bond issue

Another main topic at the supervisory board meetings was the convertible bond emission. To strengthen the company's negotiating position towards major industrial firms and to acquire financial resources for the further expansion of the november holding, the management board and supervisory board decided to issue convertible bonds in a total nominal amount of up to EUR 31.1 million. The capital obtained from purchase of the bonds was intended to be used for bonuses to reward the personnel, as a currency reserve for acquisitions, and for strengthening the working capital. The bonds were endowed with a capital guarantee and a conversion offer to holders of shares or bonds working in similar fields to november AG. While existing shareholders had a subscription right up to 7 December and took keen advantage of it, the general subscription period continued until 31 December 2004. The low level of interest of the capital market in the convertible bonds, however, caused the management board and supervisory board to decide to withdraw the offer prematurely. The new capital already contributed was immediately refunded to the investors. Because of its satisfactory liquidity situation, no risk will arise to the company through withdrawal of the bond issue, but as an increased capital base would give the company greater entrepreneurial scope, capital measures continue to remain an option.

Unqualified auditor's certificate
The financial statements of november AG and the consolidated financial statements as at 31 December 2004 as well as the management report of november AG and the consolidated management report for the year ended 31 December 2004, together with the bookkeeping, have been audited by the firm of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg.

The auditor has confirmed that the bookkeeping and annual financial statements as at 31 December 2004 are in compliance with German law, that the annual financial statements have been prepared in accordance with good accounting principles and 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 management board concerning appropriation of the deficit for the period as well as the reports of the auditor in good time before the meeting to discuss the annual financial statements. The supervisory board itself also examined the documents. The results of the audit were discussed in detail at the meeting of the supervisory board on 1 March 2005 in the presence of the auditor, who reported on the main findings of his audit, and of the management board. At the meeting, the management board explained the annual financial statements in detail.

The annual financial statements and the audit reports met with no objections and the supervisory board thereupon approved the annual and consolidated financial statements. The annual financial statements are therefore adopted pursuant to Article 172 of the German Public Limited Companies Act. The supervisory board concurs with the proposal of the management board to carry the deficit for the period forward to the new account.

The supervisory board wishes to thank the management 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.

Dr. med. Leo Steib,

Chairman of the supervisory board
Erlangen, 17 March 2005

The november share

Last year saw the start of a general recovery on the capital markets. Thus, in early December, the DAX succeeded in breaking through the important barrier of 4,200 points for the first time once more. This performance was even exceeded by the MDAX mean value index. However, not all indexes were able to benefit from this positive development, including the Biotechnology Industrial Group Index, which closed the year down on the level at the start of the year, albeit by only a small margin. This was also the case for november's shares, even though the company enjoyed positive progress in the year 2004 through the advanced technological maturity and increased marketing of its products, and the intensification of existing partnerships. These developments at least had a positive effect on volatility and the beta factor in relation to the Prime Pharma & Health Care Performance Index: A comparison of the beta factor over the last three years shows it as having improved in 2004 to 1.10. The volatility of november's shares compared to the Prime Pharma & Health Care Performance Index has therefore lessened.

Key figures for november AG's shares

All figures in EUR	2004	2003
Earnings per share (IAS 33)	-0.29	-0.41
Highest (XETRA closing price)	7.45	9.31
Lowest (XETRA closing price)	4.30	1.40
Year-end closing price (XETRA)	5.60	6.20
Average price (XETRA closing price)	5.54	3.88
Average daily trading volume (XETRA, in number of shares)	7,472	9,282
Market capitalization at year-end	41,822,592	46,303,584
Average number of shares	7,468,320	6,859,809
Beta factor in relation to Prime Pharma & Health Care Performance Index	1.10*	1.22**

* for three years: 01/01/02 – 12/31/2004

** for two years: 01/01/2002 – 12/31/2003

Open communication with investors

The majority of november's shares are held by private investors and are therefore widely dispersed. Our communication is therefore designed to take special account of this fact: The personnel of our IR department and the press office always strive to provide fast, friendly and competent answers to inquiries from you as our main investors. Annual and quarterly reports and company brochures can be requested at any time either by telephone or via the order service on the homepage of november AG. Our electronic mailing list meanwhile comprises more than 600 people who are kept regularly informed by press releases and ad hoc releases of current business progress and significant events. We would therefore also like to invite you to receive detailed and regular information. Another important target group in our communication, accounting for a share of 15 to 20 percent, are institutional investors. These comprise above all German fund managers and analysts, followed by Swiss, British and US investors. The management board and management proactively seek contact to investors at key IR events and analysts' conferences. In addition to company reporting in the form of press releases and ad hoc releases, november AG also provides continuous and detailed information on its business progress in one-to-one meetings and interviews.

Development of the november share price

Reviewing the progress in november's share price since March 2003, it can be seen to have developed significantly better than the corresponding Prime IG Biotechnology Performance Index which was introduced on 24 March 2003. During that year, the shares reached their highest rate on 6 October 2003, with a price of EUR 9.31. At the start of the year 2004, the share continued on its positive course and reached its highest price for the year of EUR 7.45 on 19 January. After moving laterally around the middle of the year, the price strengthened again from September and closed on 30 December with a price of EUR 5.60. At year's end, therefore, november's shares outperformed the corresponding index by 100 percent.

Prospects 2005

In December 2004, a key shareholder of november AG, Jupiter Technologie GmbH & Co. KGaA, gave a positive signal by increasing its stake in the company from 9.91 to 10.31 percent. Another equally positive event was the conclusion of licensing, supply and participation agreements with the Packaging & Industrial Polymers (P&IP) business unit of the second-biggest US chemicals company DuPont. DuPont P&IP has been granted exclusive worldwide marketing rights to the product protection solutions developed by *identif GmbH* for an initial term of five years, and, to protect its interests, has also acquired a 10 percent shareholding in the november subsidiary. These successes are clear evidence that, with our new group

Share price development of november shares since March 2003

ISIN:	DE0006762909
Stock Exchange Code:	NBX (Reuters NBXG.DE)
Home Exchange:	Frankfurt
Prime Standard Indices:	Prime IG Biotechnology Performance, Prime All Share, Technology All Share

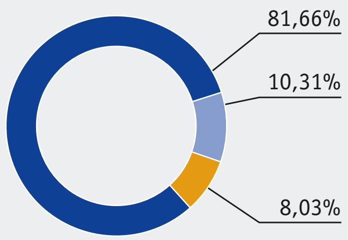
november AG (XETRA Closing Price, %)

Prime IG Biotechnology Performance Index (%)

structure, we are on the right course. It can also be anticipated that as an innovative holding company, november AG will continue to be an attractive opportunity for new strategic and financial investors. All of these factors mean improved growth potential for the company's shares. To increase their value even further, it is planned to intensify our IR activities in 2005, including also in the form of road shows. The USA is only one important sales market for november AG, especially after conclusion of the agreements with DuPont P&IP and in light of the demands of the FDA (Food and Drug Administration) for the introduction of unique and permanently secure markings for drug packaging, also holding substantial investor potential for the company's shares. Therefore, share marketing activities running in parallel with our product marketing efforts promise benefits for both areas. Other interesting capital markets include the UK and Switzerland.

For the future, the november holding company aims for further expansion through acquisitions or mergers, as well as through new spin-offs and cooperations. In all such cases, the group management will pay particular attention to ensuring maximum synergy effects for all activities and companies of the group and hence to further growing the value of the company in the interests of all the shareholders.

Shareholder structure



Free Float	**81,66%**
Jupiter Technologie GmbH & Co. KGaA	**10,31%**
Dr. Wolf M. Bertling (CEO november AG)	**8,03%**

* Pursuant to German Stock Exchange regulations, only shareholdings of more than five percent must be notified; any other information is only provided to us voluntarily.

Corporate Governance Principles of november AG *(declaration of conformity pursuant to Art. 161 of the Stock Corporation Act (AktG))*

Convenience translation:
only the German version is binding

Foreword

The Management Board and the Supervisory Board of november AG appreciate the German Corporate Governance Code (http://www.corporate-governance-code.de) and oblige themselves follow the recommendations of the code as much as possible.

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 individual 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 in the version of 21 May 2003.

1. *Management Board, Composition and Compensation (4.2.1)*

"The Management Board shall be comprised of several persons and have a Chairman or Spokesman."

Deviation: Since 1 July 2003, november AG's founder PD Dr. Wolf M. Bertling is sole director and CEO of the company. In accordance with the statute the Management Board may be comprised of one or several persons. A lean Board structure reflects the reorientation of november AG as a holding.

2. *Supervisory Board, Tasks and Responsibilities (5.1.2)*

"An age limit for members of the Management Board shall be specified."

Deviation: Until now, the statutes do not specify an age limit for members of the Board. Supervisory Board and Management Board will decide on this in due course.

3. *Supervisory Board, Composition and Compensation (5.4.5)*

"Compensation of the members of the Supervisory Board shall consider the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees."

Deviation: The statute does not provide for a compensation for the chair position in committees of the Supervisory board or the membership in such committees.

4. *Transparency (6.6)*

"The shareholdings, including options and derivatives, held by individual Management Board and Supervisory Board members shall be reported if these directly or indirectly exceed 1% of the shares issued by the company."

Deviation: All shareholdings held by individual Management Board and Supervisory Board members are reported in the Notes to the Consolidated Financial Statements, even if they are lower than 1% of the shares issued by the company. november AG thus exceeds the guidelines of the Corporate Governance Code and documents its profound commitment toward transparency.

Management Board Supervisory Board

Highlights 2004

January 2004

identif GmH and directif GmbH start operating as wholly owned subsidiaries

With the goal of achieving greater orientation to the needs of the market and the customers, november AG spins off its Diagnostics and Product Security Divisions with effect as of 31 December 2003 as wholly owned subsidiaries. The previous divisional managers take over as managing directors of the new companies. *directif GmbH* is responsible in future for developing the diagnostic products and also for offering services in this area, while *identif GmbH* will focus on further advancing the development of its product and brand protection solutions. With this strategic restructuring, the transformation of november AG into a development and investment holding company is complete. The parent company continues to be responsible for strategic control, the evaluation of former projects and the provision of central services. Through their clear profile, the newly established subsidiaries can position themselves as technology leaders on the market and respond even more quickly to customer requirements. This step is of special benefit to the shareholders of november AG as it makes financial and strategic partnerships with major international companies very much easier and also significantly increases the values of the former business divisions.

February 2004

Participation in formation of the biotechnology company ZAFENA AB

november AG acquires a share of 22.4 percent in *ZAFENA AB*, a newly formed Swedish biotechnology company. *ZAFENA* concentrates in particular on the field of blood coagulation, with products for use in both diagnosis and therapy. *ZAFENA* is above all responsible for driving forward the marketing of the coagulation analysis products developed by november AG, which were sold to MEDIROX AB. The new stake in *ZAFENA* is of advantage for *directif GmbH* and *responsif GmbH*, since it will offer synergy effects with common fields of interest in the areas of diagnostics and therapy. The shareholding was paid for mainly through the provision of patents and licenses and without any significant burden on the liquidity of november AG. To this end, the license agreement existing since 2001 with MEDIROX AB of Sweden was cancelled by mutual agreement.

directif GmbH achieves 1st milestone

In the course of the development of a system for rapid on-site nucleic acid diagnosis, *directif GmbH* succeeds in reaching its first milestone of "Freedom to Operate". The expert opinion by a patent lawyer required for the milestone corroborates the value of the november/*directif* rights and confirms that the relevant patents are not restricted by any other existing patents. This success triggers a substantial payment by Siemens Medical Solutions, the other project development partner beside microfluids specialist Wilden AG.

March 2004

Follow-up order by Bristol-Myers Squibb

Bristol-Myers Squibb (BMS), one of the world's leading pharmaceutical companies, decides to equip its whole range of AIDS drugs in Germany with DNA codes from *identif GmbH*. BMS has already been using the "molecular fingerprint" of the november subsidiary for more than a year in order to protect specific cancer drugs against manipulation and piracy. BMS is the first pharmaceutical company to in future label all of its HIV and AIDS drugs sold in Germany with the DNA codes from the november subsidiary.

May 2004

Visit to China as part of a business delegation

First contacts are established with China: As one of 50 participants in a delegation visit to China organized by the Economics Ministry, Dr. Wolf M. Bertling, CEO of the parent company november AG, is pleasantly surprised at the keen interest shown in China in the security products offered by *identif GmbH*.

Joint letter of intent with DuPont Packaging & Industrial Polymers (P&IP)

identif GmbH and Packaging & Industrial Polymers (P&IP), a business unit of the US chemicals company DuPont, sign a letter of intent on joint commercialization activities for the product and brand protection solutions developed by *identif*. Building on initial highly promising projects, and in view of the enormous worldwide potential for industrial high-security solutions, the two companies agree to examine the options for further cooperation.

July 2004

Changes on the Supervisory Board of november AG

Prof. Dr. Dr. h.c. Karl Wilhelm Pohl, chairman of the Supervisory Board of november AG since December 2002, leaves the Supervisory Board on his own request. Business consultant Dr. Agnieszka Jankowska is elected as a new member. As a political and economic scientist, Dr. Jankowska has, in the course of her career in the multinational chemical, pharmaceutical and diagnostic industry, specialized in technology transfer and intercompany cooperations. Since 1999, she has been a managing partner in the business consultancy AKonsult. In this capacity, she also assisted the successful strategic business development of *PEQLAB Biotechnologie GmbH*, a subsidiary of november AG. At an ordinary meeting of the Supervisory Board in September, Dr. Leo Steib is elected as the new chairman and Dr. Agnieszka Jankowska as the new deputy chairwoman of the Supervisory Board.

november subsidiaries certified to ISO-9001

To ensure compliance with highest quality requirements, the november subsidiaries *identif GmbH* and *directif GmbH* successfully undergo a quality management audit and therefore receive certification to ISO 9001. november AG has already held this certificate, which is subject to regular renewal, since 1998.

directif GmbH reaches 2nd milestone

directif GmbH manages to integrate the cartridges developed by it into the overall system, consisting of the disposable cartridge and the diagnostic unit (analyzer), and successfully test it with initial clinical samples. This therefore means it has also achieved the 2nd milestone, "Proof of Concept for the Analyzer". This triggers a second milestone payment by Siemens Medical Solutions.

October 2004

Joint press conference with Bristol-Myers Squibb

identif GmbH holds a joint press conference in Munich with Bristol-Myers Squibb and the pharmaceutical logistics service provider Sanalog and presents its DNA-based product protection solutions to the general public. The unique feature of the system is that the DNA codes can be verified anywhere on site with the aid of a test stick and an easy-to-use hand-held scanner, with results that will be accepted as evidence in court. This security technology therefore offers effective protection against product piracy, illegitimate overproduction and unfounded liability claims.

Award under the Deloitte "Technology Fast 50" rankings

For the second time in sequence, november AG is distinguished by Deloitte as one of the 50 fastest growing technology companies in Germany. Company founder Dr. Wolf M. Bertling accepts the award, which the biotechnology company receives for its cumulative sales growth of 249 percent during the previous five fiscal years (1999 – 2003), at a festive ceremony in Hamburg.

December 2004

november AG and DuPont P&IP conclude agreements on identif technologies

At the end of December, *identif GmbH* and DuPont P&IP sign a license and supply agreement for the exclusive worldwide marketing rights to *identif*'s marking systems. The agreement has a term of five years and provides for milestone payments, license fees and turnover shares as fixed and variable components. DuPont P&IP also acquires a 10% stake in the november subsidiary. Through the global sales network of the US group in the field of brand packaging systems, manufacturers and dealers throughout the world will in future be able to acquire reliable, customized security solutions for their products.

identif TECHNOLOGIES

Product and brand protection for highest security

identif GmbH develops marking systems for product and brand protection purposes based on machine-readable bio- and nanotechnology codes. We thus sustainably safeguard the earnings potential of our customers, for example by preventing illegal overproduction on the part of their suppliers, and also protect them against unjustified liability claims arising from unauthorized products.

Brand owners throughout the world are faced with the same problem: How can low-cost production abroad be combined with highest quality assurance and effective prevention of unlicensed production? In a time of product liability lawsuits which in themselves can cost millions, quite apart from the harm to the company's image, it is essential to prevent illegitimately produced – or even worse, pirated – goods from reaching the customers. This applies particularly in the case of safety-relevant products such as automotive or aircraft parts or the especially sensitive area of prescription drugs.

According to estimates of the World Health Organization, up to seven percent of all medication products sold throughout the world are not original goods. Licensing authorities such as the US Food and Drug Administration (FDA) therefore strongly advocate the introduction of unique, permanently secure and machine-readable markings for the US drugs market.

While conventional systems such as holograms are either not machine-readable or, like barcodes, can be easily copied, the product markings from *identif GmbH* meet all the criteria demanded by the FDA and combine extreme ease of application with highest security and automated readability.

Two complementary marking systems

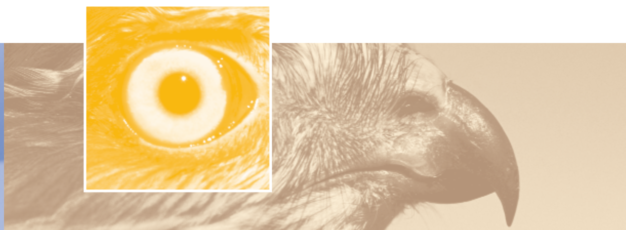
In order to cover all customer requirements, *identif GmbH* offers two complementary marking systems: the biotechnological molecular fingerprint and the nanotechnological optical seal. Both systems allow individual codes for customers and products, are machine-readable, and guarantee long-term security against illegitimate interference in the production and distribution process of a company.

The basis for the biotechnological molecular fingerprint is the patented DNA identification technology from *identif*. The codes consist of a unique sequence of synthetically produced DNA modules. A code with as few as 20 such charac-

ters already allows trillions of different combinations and thus guarantees 100 percent security. As the marking on the packaging is invisible for the buyer, it is also described as a non-visible security feature. The most exclusive capability of the *identif* system, however, and one which is unique throughout the world, is that the security feature can be checked for authenticity at any time, anywhere, with the aid of a test stick and a simple hand-held scanner.

Since mid-2002, we have been supplying the drugs company Bristol-Myers Squibb (BMS) with DNA-coded labels. Today, BMS equips all its cancer and AIDS drugs sold in Germany with our molecular security feature. A joint press conference held with BMS and Sanalog, a provider of pharmaceuticals logistic services, in fall of last year resulted in numerous publications, clearly indicating the interest of the public in the use of such security features. This applies especially to the drugs sector, as counterfeit products can jeopardize the health of the patients, apart from causing severe image loss and financial damage for the product manufacturers. This also explains the keen interest of other international pharmaceuticals companies and not least the acquisition of the marketing rights by DuPont Packaging & Industrial Polymers (P&IP).
identif GmbH is constantly and consistently developing its security features further. In 2004, for instance, it succeeded in broadening the range of capabilities for the application of DNA codes using digital printing methods by water-based ink-jet applications. In future, DNA can be added direct to the printing ink and printed straight onto the packaging. All customer responses to this new application possibility have been positive.

The second, nanotechnology-based system, the nano-optical seal, makes use of the special properties of nanometric metal clusters. The original use of these products was in biochemical analysis. Applied to thin film systems, they show a brilliant color change when viewed from different angles. The nano-optical seal is especially suited for direct application to films as well as for the direct marking of metallic surfaces, and therefore, for instance, for the marking of safety-relevant parts in automotive and aircraft engineering. In collaboration with Infineon Technologies, we are also developing an application for chip card modules. Our development partner and licensee, Hueck Folien, is marketing the nanotechnological marking system under the name "Colour Switch" as a new machine-readable security feature for banknotes. The first security films for banknotes bearing the nano-optical seal were supplied by Hueck Folien in 2004 and will be used for the first time in the course of the current fiscal year for the introduction of a new national currency in the South-East Asian region.



directif
DIAGNOSTIC SOLUTIONS

The future of diagnostics

directif GmbH is developing the world's first fully automated molecular analysis system for on-site nucleic acid diagnostics. Other key markets addressed by us include, for instance, the field of food and environmental analysis.

The most prominent members of the development team at the moment are Siemens Medical Solutions and Wilden AG, one of the world's leading companies in the field of medical plastics systems.

Rapid and reliable diagnosis in the doctor's surgery or at the patient's bedside

Patients expect their doctor to fully inform them and to give them a fast and reliable diagnosis. The faster a sure diagnosis is made, the sooner effective therapy can be initiated and the lower the risk of permanent damage to health.

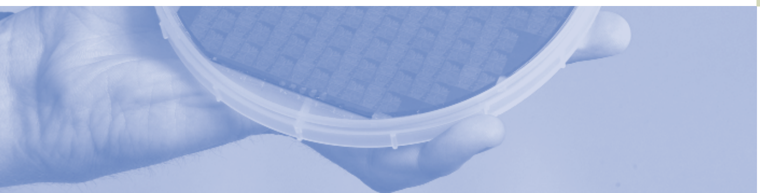
Especially in the case of unspecific symptoms, the ideal solution would be to directly identify the pathogen by detecting its genetic information (nucleic acids). While this is already possible today, the analysis methods currently available are expensive and time-consuming. As a result, at least one day or more is usually lost between the taking of samples and provision of the actual diagnosis. Thanks to the technology being developed by *directif GmbH*, this is set to change in the near future.

Many advantages

The new diagnosis system centers around a microfluid method for detecting nucleic acids. Because of the integration of all the analytical steps in one disposable cartridge and the development of a fully automated diagnostic unit (analyzer), examination can be performed without the costly laboratory infrastructure and specially trained personnel usually needed by competing systems. The result of the analysis is available within a short time. The actual operating time is as little as a few minutes.

The exclusive features of our future products are therefore:

- Easy handling (no specialist personnel or special infrastructure necessary)
- Speed (two hours between sample-taking and diagnosis)
- Cost savings (through integration and automation of all the analytical steps)



Wide range of applications

One example of where patients would be able to benefit from fast diagnosis in future is with the much-publicized influenza viruses. Modern drugs are indeed available, but they are only effective if taken within a few hours after infection. This is only possible through the highly efficient nucleic acid detection system from *directif GmbH*. Also in the case of SARS, a virus infection that first affected large numbers of people in 2003, methods for rapid genetic identification of the pathogen could in future help to prevent its spread. In order to be able to diagnose this and also similar life-threatening diseases, a German-Chinese research consortium under the leadership of *directif GmbH* is currently developing a method for fast nucleic acid analysis. The consortium also includes the company Mikrogen GmbH, the Fraunhofer Institute for Reliability and Integration (IZM), the Institute of Medical Microbiology and Hygiene at the University of Regensburg, the Chinese Center for Disease Control and Prevention (CDC), and a major hospital in Chong Qing, China. This joint venture project is in receipt of funding support from the German Federal Ministry of Education and Research (BMBF).

Nucleic acid diagnostics also plays an important role in the choice of appropriate therapy. Drugs frequently act completely differently in different patients. One reason for this are genetic variations within the population. In the last few years, many of these factors have been investigated and understood. Thus, for example, with the aid of nucleic acid diagnosis carried out on a blood sample, it is possible to determine whether a patient's breast cancer has a certain hormone receptor that can be targeted by specific drugs.

But nucleic acid diagnostics also has applications in other areas. Used in environmental and food analysis, for instance, it is able to detect even the slightest bacterial contamination or the use of genetically modified raw materials in products.

With strong partners on the road to success

Business development 2004

Spin-off strategy confirmed as the right course

With effect as of 31 December 2003, november AG spun off its Diagnostics Division and Product Security Division as wholly owned subsidiaries. The former divisional managers were appointed as managing directors of the newly formed companies. While the diagnostic product developments and services were pooled in *directif GmbH*, the product and brand protection activities now have their corporate home in *identif GmbH*. The goal of this strategic restructuring was, and is, to give the subsidiaries clear profiles as self-standing operating units and hence make them more attractive on the market for financial and strategic partnerships. For the business development in 2004, the decision of the management to turn november AG into a holding company proved to be the right one. On the one hand, it enabled the cooperation with existing industry and research project partners to be further enhanced and intensified, as is also reflected in the advanced readiness of the technologies and products under development. And on the other, it allowed customers to be addressed more effectively at national and international fairs, with the result that in the field of product protection and brand security we have succeeded in winning a globally operating partner for the sale of our marking systems. The following provides a brief overview of the most important events at november AG in the fiscal year 2004:

- Delivery of the high-security film for banknotes equipped with the "Colour Switch" security feature to a first customer by our development partner and licensee Hueck Folien GmbH. The machine-readable marking will be used for the first time in 2005 for a new currency issue in the South-East Asia region.

- Successful extension of the customer relationship with Bristol-Myers Squibb (BMS). The pharmaceutical company will in future mark all of its cancer and HIV drugs sold in Germany with DNA codes from *identif GmbH*.

- Joint press conference in Munich with BMS and the pharmaceutical logistics service provider Sanalog. A large number of articles subsequently published in the specialist press clearly indicate how great the need of the drugs industry is for security solutions for medication packagings.

- Acquisition of a 22 percent stake in the Swedish biotechnology firm *ZAFENA AB*. This newly formed company develops, produces and markets products in the field of blood coagulation. Diagnostic products in particular are set for marketing in the near future – for instance the further development of the coagulation monitoring device, which heads for profitability this year.

- Conclusion of a license and supply agreement with DuPont Packaging & Industrial Polymers (P&IP) for the exclusive worldwide marketing of the product protection solutions from *identif GmbH*. The agreement has an initial term of five years. In addition to milestone payments and license fees, it also provides for revenue shares and sale revenues as fixed and variable components. Using the innovative security technologies from *identif GmbH*, therefore, manufacturers and dealers throughout the world will in future be able to protect their products from manipulation and counterfeiting.

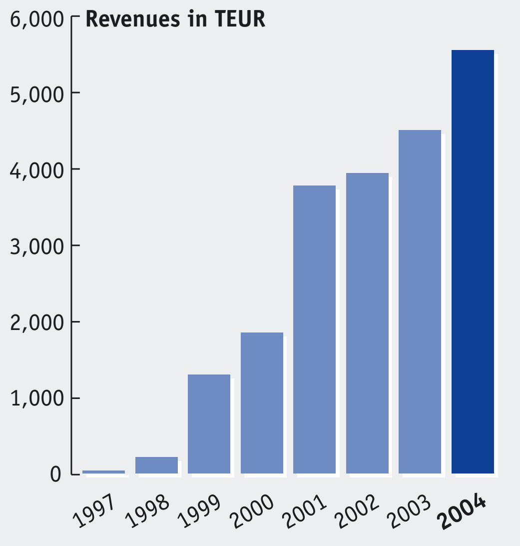
- Achievement of two milestones by *directif GmbH* in the development of a system for rapid and laboratory-independent nucleic acid diagnostics. The first milestone, "Freedom to Operate", was legal confirmation for the validity of the november/*directif* patents and the fact that development of the system is not restricted by any other existing patents. The second milestone, "Proof of Concept for the Analyzer", was reached when the cartridges were integrated into the overall system and successfully tested with first clinical samples. In each case, the technical progress triggered significant milestone payments from Siemens Medical Solutions.

- Issue of convertible bonds to acquire additional capital for the further expansion of the november Group and broaden our entrepreneurial scope. While this financial instrument was strongly subscribed by the existing shareholders, it did not meet with the anticipated response on the capital market. The issue was therefore closed prematurely before the end of the subscription period.

Group revenues up 26 percent

At group level, revenues in the financial year 2004 amounted to EUR 5.6 million, equivalent to an increase of 26% over the previous year (EUR: 4.4 million). A large part of the revenues was attributable to *PEQLAB Biotechnologie GmbH*.

Change in revenues



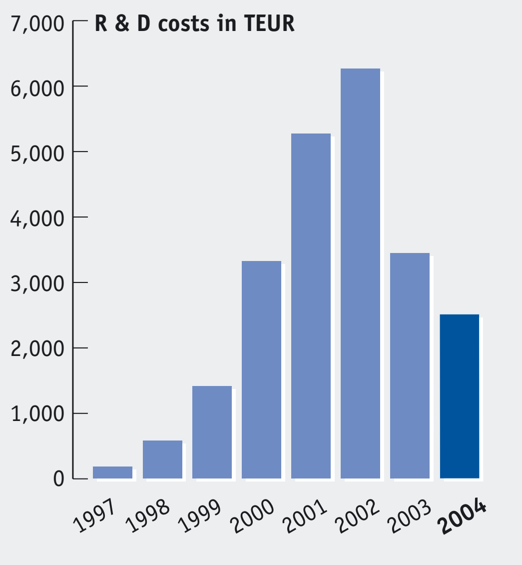
The costs of revenues in an amount of EUR 3.1 million in the year under review (previous year: EUR 2.3 million) mostly comprise the production costs for the products sold by *PEQLAB Biotechnologie GmbH*.

Gross profit for the period 1 January – 31 December 2004 improved by 21 percent over the previous year to EUR 2.5 million (previous year: EUR 2.1 million). The gross margin amounted to around 45 percent and was therefore down slightly on the previous year (47 percent).

Significant reduction in costs

Following the substantial cut in spending in the field of research and development in the previous year (-45 percent), a further reduction of 18 percent was achieved in the financial year 2004, to EUR 2.8 million (previous year: EUR 3.4 million). As in the previous year, and in accordance with International Financial Reporting Standards, the research and development costs were not capitalized but are carried in the income statement.

Change in R & D costs

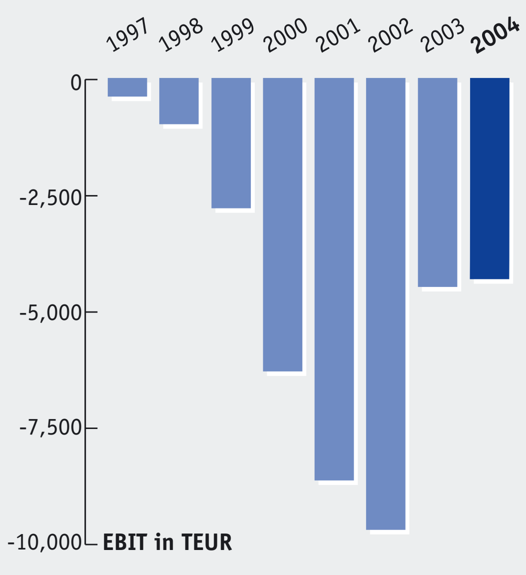


The costs of sales totaled EUR 2.6 million in the year under review and were therefore 18 percent higher than in the previous year (EUR 2.2 million). This was mainly due to the intensified sales activities of *PEQLAB Biotechnologie GmbH* in the financial year 2004.

The general administrative expenses increased in the period under review by 38 percent to EUR 1.7 million (previous year: EUR 1.2 million). One of the main reasons for this was the structural change in the subsidiaries following their successful spin-off at the start of the financial year 2004 as well as increased professional fees and investor relations costs.

Consolidated operating result stable

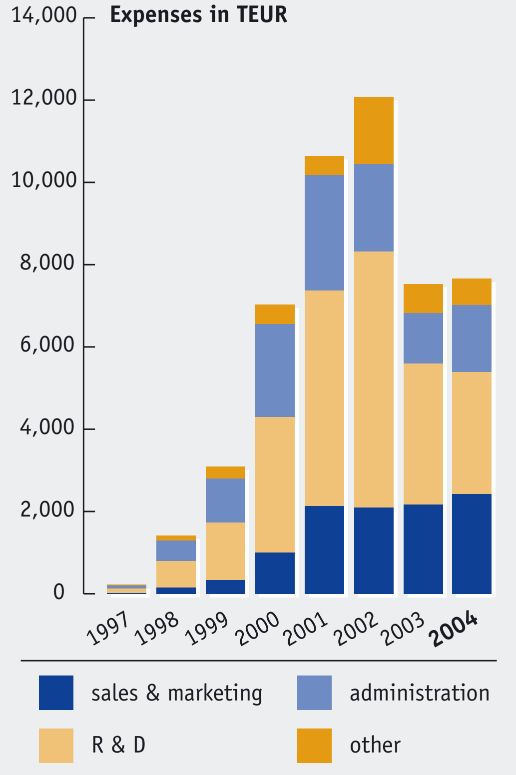
Change in EBIT



The consolidated operating loss (EBIT) fell by 5 percent in the financial year 2004 to EUR 4.2 million (previous year: EUR 4.4 million); this was primarily the result of the improvement in gross profit and the reduction in research and development costs.

A further factor that contributed to the stabilization of EBIT was the reduction in other operating expenses by 26 percent to EUR 0.4 million (previous year: EUR 0.5 million). At EUR 0.9 million, the other operating income saw only a slight change compared to the previous year (EUR 1.0 million).

Structure of operating expenses within the november Group



The consolidated financial result grew from the previous year by TEUR 1,000 to TEUR 992 (previous year: TEUR -19). The main reason for this was that the variable payment on a loan against borrower's note fell due.

For the period 1 January – 31 December 2004, the consolidated net loss amounted to around EUR 2.1 million, which meant an improvement on the previous year by 24 percent (previous year: EUR –2.8 million). At EUR -0.29, the earnings per share (IAS 33) also saw a substantial improvement (previous year: EUR -0.41, IAS 33).

The accumulated deficit increased by the consolidated net loss to EUR 26.3 million (previous year: EUR 24.2 million).

On 31 December 2004, the consolidated balance sheet total stood at EUR 27.7 million (previous year: EUR 28.6 million).

Total liquid assets

Total liquid assets of the november Group at the end of the financial year 2004 amounted to EUR 8.8 million (previous year: EUR 12.5 million). Liquidity per share at the end of the financial year amounted to EUR 1.18 (previous year: EUR 1.67).

The other current assets item on the balance sheet fell by 47 percent compared to the previous year (EUR 1.3 million) to EUR 0.7 million; this was chiefly the result of repayment of the last portion of a loan against borrower's note in an amount of EUR 1 million.

As at 31 December 2004, the property, plant and equipment of the november Group, including regular depreciation and amortization, stood at TEUR 1,114 (previous year: TEUR 1,156). This included investments in property, plant and equipment in an amount of TEUR 286 (previous year: TEUR 151). The biggest share of investments was accounted for by operating and office equipment, with an amount of TEUR 256 (previous year: TEUR 136).

After allowance for regular depreciation and amortization, the intangible assets (without the item goodwill) increased in the year under review by 99 percent to TEUR 203 (previous year: TEUR 102). This item exclusively comprised intangible assets acquired for cash.

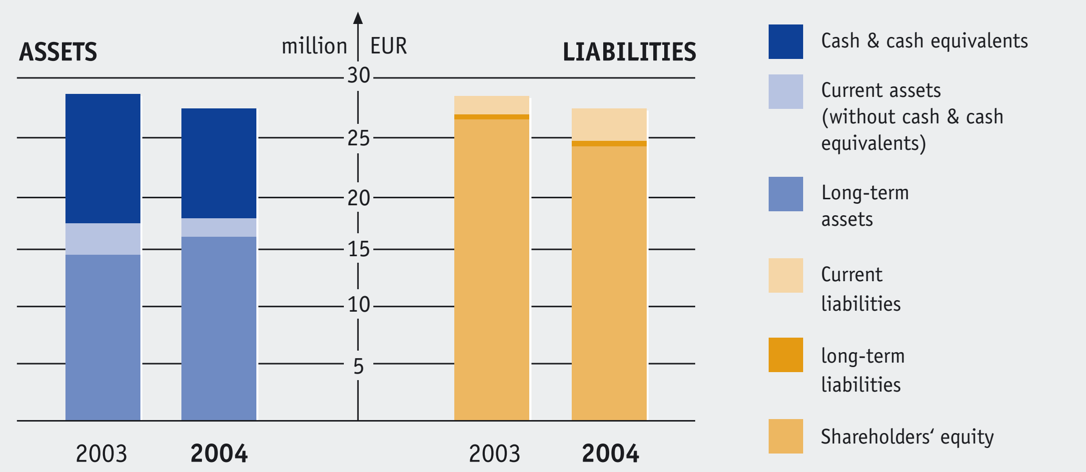
The financial assets at the balance sheet date December 31, 2004 totaled TEUR 2,755 and thus remained almost unchanged compared to the previous year (TEUR 2,692; inclusive short-term portion of financial investments). In the course of the financial year 2004 the financial assets decreased by TEUR 1,000 due to repayment of the last installment of a bonded loan and increased by TEUR 1,000 through the grant of a loan to *responsif GmbH*.

At the end of the financial year 2004, deferred taxes in an amount of EUR 11.5 million were capitalized (previous year: EUR 10.3 million). This item relates to tax reduction claims arising from the anticipated utilization of existing taxable loss carry-forwards in future years.

On 31 December 2004, the accruals stood at TEUR 1,088, an increase of 37 percent on the previous year (TEUR 794).

Including the consolidated net loss for the period, the total shareholders' equity fell to EUR 24.4 million (previous year: EUR 26.5 million). The equity ratio therefore stood at 88 percent (previous year: 93 percent). This meant that the property, plant and equipment, the intangible assets and the net current assets were completely self-financed.

Balance sheet structure **Comparison 2004/2003**



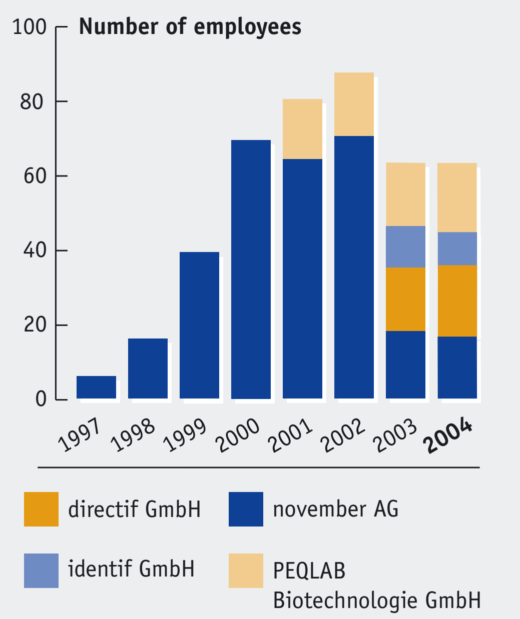
First-rate personnel – a crucial factor for success

Once again last year, our personnel was the crucial factor in bringing the november Group a long way forward in comparison to our competitors. The restructuring activities within the group were fully implemented and were accepted highly responsively by the personnel.

The new subsidiaries are now able to concentrate on their individual strengths, while being able to draw on the long-standing professional experience of their personnel in the fields of research and development, marketing and sales, project management and quality control. Financial and accounting systems and central services, however, continue to be provided by november AG. Our interdisciplinary teams are characterized by extraordinary creativity, coupled with efficient and effective working. The november Group also has an excellent network of connections in industry and science.

At altogether 63, the average number of employees, calculated on a full-time basis, remained unchanged in the year under review.

Employee development within the november Group



Research and development 2004

The research and development activities of november AG are concentrated above all at business areas that either began operating as independent subsidiaries at the start of the year or that in other ways offer contractually assured profit shares for new investors. *identif GmbH* develops customized brand and product protection solutions against product piracy and illegal overproduction, while the focus of *directif GmbH* is on the development of analytical products for genetic (nucleic acid) diagnostics. Since December 2000, november AG has additionally held a 51 percent stake in *PEQLAB Biotechnologie GmbH*, a trading company which is also located in Erlangen. As a one-stop shop for molecular biology products, the latter company markets innovative reagents and laboratory equipment, including some proprietary *PEQLAB* developments. Its customers comprise mainly academic research institutes and biotechnology companies. *responsif GmbH*, the former Therapy Division of november AG, develops innovative treatment methods designed to strengthen the somatic immune response to cancer cells. This company has already been working as a self-standing operating entity since its management buy-out in January 2003. Our latest partly-owned subsidiary, the Swedish company *ZAFENA AB*, is working amongst others on the development of innovative products for the stabilization of stored blood products. The outstanding feature of its new anticoagulant additives is the ability to stabilize blood plasma already at refrigerator temperatures. This means that such products would no longer have to be deep-frozen – a breakthrough in the field of transfusions medicine. The Swedish biotechnology company is also developing diagnostic systems for rapid and reliable monitoring of the coagulation status. Around 800 million such tests are currently annually conducted worldwide, including 50 percent directly in doctor's surgeries or at small laboratories – the target markets for the *ZAFENA* product.

High sales potential through advancing product and market readiness

Also in the year 2004, november AG made further advances in the technological readiness of its products and developments. The first banknotes equipped with the nano-optical seal from *identif GmbH* were supplied to a customer by our licensee and development partner, Hueck Folien GmbH, and are scheduled to go into circulation in the near future. Similar to the holograms already applied to some banknotes, the new security feature presents a brilliant color change effect, but because of its nano-structure is even more intensive and also counterfeit-proof. This is because in contrast to conventional holograms, the new signature is capable of being read any time and anywhere using a mobile hand-held scanner. Another system which is still undergoing development is the use of cluster-coated films on smart cards. The application possibilities for marking such cards, which can be easily recognized by their gold-colored contact surfaces, are currently being reviewed and evaluated under a cooperation with Infineon Technologies AG. In addition to the security aspects, this feature also offers an attractive customer loyalty instrument for banks and insurance companies as it allows them to place a customized logo in their own corporate design on the contact surface. Tests are currently in progress for integrating this technology in the production process. The second marking system from *identif GmbH*, the "molecular fingerprint", is also in the process of continuous further optimization. The pharmaceuticals group Bristol-Myers Squibb has already been using this DNA-based labeling system since mid-2002 as a safeguard in its distribution chain. In spring 2004, the company placed a second contract for the marking of all its cancer and HIV drugs sold in Germany. A further innovation in the field of brand and product protection also deserves special mention: in 2004, *identif GmbH* extended the digital printing capabilities for applying the DNA markings to packagings by a water-based ink-jet application. Thanks to this technology, the DNA can be mixed directly into the printing ink and so printed onto the packaging. Initial customer responses to this technology have been posi-

tive. *identif* is therefore working on continuously improving the ink-jet process. The possibility of using the system with ink-jet printers means that brand owners can apply this security feature to their packaging already during the production stage. This therefore ensures maximum security, combined with significantly enhanced efficiency. Convinced of the effective and wide-ranging capabilities of *identif*'s security systems, DuPont Packaging & Industrial Polymers (P&IP) signed a license and supply agreement at the end of the year, giving it exclusive worldwide marketing rights for these two marking systems.

Within the scope of its partnership with Siemens Medial Solutions, *directif GmbH* succeeded in 2004 in achieving two key milestones in the development of a fully automated, laboratory-independent nucleic acid testing system. The first milestone, "Freedom to Operate", was legal confirmation for the validity of the november/*directif* patents and the fact that development of the system is not restricted by any other existing patents. The second milestone, "Proof of Concept for the Analyzer", was achieved through successful testing of the cartridges, which form an integral part of the complete system, with first clinical samples. In each case, this technical progress triggered substantial milestone payments from Siemens Medical Solutions. Additionally, the pre-series cartridges, which are being developed by *directif* in collaboration with microfluids specialist Wilden AG, were able to be successfully manufactured and taken into operation. Siemens supplied its first analyzers for operation of the pre-series cartridges. Since July 2004, assembly and filling of the diagnostic cartridges has been undertaken in a new building of *directif GmbH*. The diagnosis system offers considerable sales potential. The worldwide market for nucleic acid diagnostics is currently estimated at a volume of over a billion euros, with annual growth rates of around 20 percent. The feature that makes the system unique throughout the world is that it combines and automates, in a single disposable cartridge, all the analytical steps that have hitherto had to be done separately in laboratories. Compared to laboratory diagnosis, the "lab on a chip" product from *directif GmbH* is significantly faster and cheaper, as neither a laboratory infrastructure nor the correspondingly trained personnel are necessary. It utilizes an electrochemical process that is able to identify viruses, bacteria and patient-specific risk factors on the basis of certain gene segments contained in patient samples. The potential range of applications for this form of genetic analysis is enormous. Most recently, a German-Chinese research consortium under the leadership of *directif GmbH* has started to develop a method based on the "lab on a chip" technology for detecting life-threatening respiratory diseases of the kind caused e.g. by influenza viruses. Within the scope of the project, test systems for less common but equally life-threatening illnesses such as SARS are being established. The Federal German Ministry of Education and Research (BMBF) is supporting the German partners in the cooperation, who also include the Fraunhofer Institute for Reliability and Integration (IZM) and the Institute of Medical Microbiology and Hygiene at the University of Regensburg, with grants worth approx. EUR 2.4 million over the next two-and-half years.

Development of affiliates and contractually guaranteed profit shares

Growth in revenues at PEQLAB Biotechnologie GmbH

Our *PEQLAB Biotechnologie GmbH* subsidiary continued to produce gratifying sales results and once again developed positively in 2004 despite the continuing tense situation on the market for laboratory diagnostic products. As in the previous two years, the company once again reported a surplus for the period.

The company, in which november AG holds a 51 percent share, currently employs 20 people and is a one-stop shop for the molecular biology sector, supplying innovative reagents and laboratory equipment, including some products developed and produced in-house. Additionally, it provides services for basic molecular research. Its customers include in particular academic research institutes and biotechnology companies. All of the company's products are sold under its own brand and have a reputation on the market for consistently high quality. By broadening its product range and intensifying its foreign sales activities both inside and outside of Europe, *PEQLAB* has succeeded in significantly growing its sales. *PEQLAB*'s revenues in the financial year amounted to TEUR 5,040 (previous year: TEUR 4,031). On a year-on-year basis, revenue growth stood at 25 percent. This is a good result in light of the enormous budget cuts in the university sector and the concentration process in the biotechnology industry.

Great potential at ZAFENA AB

ZAFENA AB is a newly formed Swedish biotechnology company in which november AG holds a share of 22.4 percent. The company develops, produces and markets products for blood banks, diagnosis and therapy, with a main focus on the field of blood coagulation. The company owns enormous know-how and an impressive number of patents either granted or applied for. It intends to be on the market within two years with a coagulation monitoring device based on a november development. *ZAFENA* is also developing novel anticoagulant additives for the preservation of stored blood products.

responsif GmbH – Innovative immune therapy

Within the framework of the corporate relationships of the november Group, *responsif GmbH* holds a special place. Created from the former Therapy Division through a management buy-out in January 2003, this self-standing company develops innovative immune therapy approaches for a variety of medical indications, as well as offering contract research services in the fields of molecular biology and biotechnology. This "hybrid" business model enhances the company's chances of success. *responsif*

GmbH has been certified to DIN ISO 9001:2000 since October 2003.

november AG holds options to share and expansion rights as well as separate profit share rights. As a result, the financial interests of november's shareholders continue to be fully safeguarded even after the management buy-out. Consequently, november AG will also continue to provide all relevant information of responsive GmbH.

Innovative immune therapy

The basis for the cancer therapy initially developed by november AG and now continuing to be developed by *responsif GmbH* is the specific individualized stimulation of the immune system against tumor cells. Most tumors are virtually invisible to the immune system and can therefore spread largely unhindered. In order to stop this fatal development, the concept being pursued by *responsif GmbH* provides for tumor cells to be taken from the patient, killed, coated with a protein that stimulates the immune response, and then reinjected into the patient. The aim is to trigger a specific immune response, enabling the immune system to identify and destroy other tumor tissues and metastases in the body by itself, with minimal harm and stress for the patient.

After receiving the approval of the Ethics Commission in Erlangen, initial clinical testing of this immune therapy approach started in 2004. The goal of this study is to investigate the tolerance of the method. The first medical indication chosen for this purpose is renal cell carcinoma – the third most common form of urological tumor after prostate and bladder cancer. Around 12,000 people contract renal cell cancer every year in Germany.

However, it is not possible to adopt an individual therapy approach, using a patient's own tumor cells, for every kind of cancer. Therefore, *responsif GmbH* is developing a second cancer therapy solution that aims at stimulating a somatic immune response through the use of nanoparticles of protein molecules. Based on the patented polyoma technology, capsule proteins of a harmless virus are used for presenting tumor-specific protein fragments to the immune system, which the latter can then recognize and thus trigger a corresponding immune response against the tumor cells.

Events after the balance sheet date

No events of relevance for assessing the financial and earnings situation of november AG occurred after the close of the financial year 2004.

Prospects 2005

Anticipated development in the industry

The climate in the biotechnology industry remains tense. Many venture capital funding providers are not willing to invest, or not on the conditions available. Especially German venture capital funds are finding it difficult to acquire new resources as an important exit, i.e. the placement of firms on the stock market, has been largely blocked since 2001. International funds, on the other hand, are, according to their own statements, deterred by obscure financial support structures and German tax laws. The trend in the venture capital sector is therefore towards concentrating the funding resources available primarily on firms with products that are closer to market readiness and therefore with less risk. Consequently, the consolidation phase among biotechnology companies appears likely to continue in the immediate future. The fact should not be overlooked, however, that the consolidation phase also presents opportunities. As biotechnology is one of the most important innovation fields of the future, the industry may emerge altogether stronger from such a phase. Already today, a professionalization of the products can be seen: an ever growing number of active substances are now entering clinical phases I, II and III. Another conspicuous development is an increasing orientation to service, with firms offering services and contract research for industrial companies and applications.

Nanotechnology – a market of the future

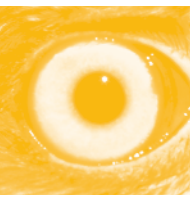
Another technology which is gaining increasing economic importance is nanotechnology. This is seen as a market of the future. Nanotechnology is primarily concerned with the use of new functions based, on the one side, on geometrical size – 1 nanometer is equivalent to one millionth of a millimeter – and on the other on specific material properties of nanostructures. Nanotechnology promises to make a crucial contribution to the future development of the German economy. According to the results of an Innovation and Technology Analysis (ITA) study, around 10,000 jobs will be created through nanotechnology in Germany within the next two years. Nearly all German companies plan to significantly boost their activities in the field of nanotechnology. A tie-up between biological problems with nanotechnological solutions represents a potential whose full scope is only envisaged by few people today.

Anticipated development of november AG

High sales potential for the whole product portfolio

The interest shown in the product protection solutions of *identif GmbH* by competitors of Bristol-Myers Squibb shows that other drugs industry companies are also in urgent need of a security system, but are still in the decision-making process. As partner for the worldwide sale of both marking systems, we were last year able to win the Packaging & Industrial Polymers (P&IP) business unit of the US chemicals company DuPont, who has acquired the exclusive right to market the signatures for an initial term of five years. The potential applications are very wide-ranging, extending from the marking of luxury goods, artworks, jewelry, bank notes and important documents, to safety-relevant spare parts for motor vehicles and aircraft. To ensure the continuing success of the marking features in future, further investment will be undertaken in research and development. Through the collaboration with DuPont P&IP, international market penetration of the product protection solutions is assured for the immediate future.

The "lab on a chip" developed by *directif GmbH* is the first product in the world with the potential to make nucleic acid analysis an easily performable, inexpensive and robust mass technology. As a consequence, it offers the opportunity to supply the point-of-care and emergency diagnostics market with extremely attractive solutions and to establish the product group of the *directif* family as the benchmark standard. Other markets in focus are individualized medicine (pharmacogenetics) as well as environmental and food analysis. As building a global sales network is very time-consuming and cost-intensive, however, it is intended to market the products through established sales partners. This will allow our own technological strengths to be combined with those of strategic and market-specific partners in order to guarantee successful market penetration. Additionally, *directif GmbH* plans to strengthen its own external presence, for example through increased attendance at fairs and more self-marketing. The new homepage, www.*directif*.de, is only the first step in this process. For the future, it is planned not only to achieve series readiness for the prototypes of the analyzer and the cartridges, but also to broaden the scope of utilizations for viral and bacterial applications in order to access an even greater market share. Numerous exclusive features such as cost efficiency, ease of handling and speed should pave the way to worldwide market leadership for the system. Delivery of the first analyzer and cartridge kits to pharmaceuticals and diagnostics firms and doctors' surgeries is planned towards the end of this year.



Our *PEQLAB Biotechnologie GmbH* subsidiary will continue to concentrate on growing its sales and profit. Despite the difficult conditions on the market for laboratory diagnostic products, the company is looking for double-digit growth in 2005. To achieve this, its sales range will be expanded by innovative additions in the fields of laboratory equipment, PCR reagents and products for DNA/RNA isolation. *PEQLAB* will also intensify its export activities and enlarge its sales team to this end.

Under the voluntary reporting arrangements agreed with *responsif GmbH*, a company formed out of november AG and in which november enjoys profit share and participation option rights, we have been informed by the company that after approval by the competent authority, *responsif* began clinical testing of its immune therapy approach in 2004. Recruitment of the first patients has also already been started. The indication chosen for testing is renal cell carcinoma, the third-most-common kind of urological tumor after prostate and bladder cancer. If the trials are successful, significant returns can be expected within a few years from this innovative therapy, which effectively combats cancer while causing minimum stress for the patient. A second immune therapy approach of *responsif GmbH* against cancer has also entered the preclinical phase. The company is additionally pursuing the vision of collaborating in the establishment of a tumor vaccine center in Erlangen, with the aim of giving the company's business location enhanced prominence also at nationwide level.

ZAFENA AB, our latest partly owned subsidiary, is planning to be on the market with a blood coagulation monitoring system within two years at the latest. This Swedish biotechnology company is also developing innovative patented anticoagulation additives for the preservation of stored blood products. These have a great market potential worth several hundred million euros. The outstanding characteristic of the new additives is the ability to stabilize blood plasma already at refrigerator temperatures. Before the products can be launched, they first have to undergo clinical studies. These are currently in preparation. Contact to possible production partners has already been established.

Chances and risks

As a development and investment company working in the fields of biotechnology and nanotechnology, the november Group has outstanding potential for success. However, the opportunities are also accompanied by both general and specific (development) risks.

In the last few years, the biotechnology sector has been characterized by a phase of consolidation, from which some companies have emerged stronger than before. One of the positive trends is an increasing professionalization in the development of products and drugs. Additionally, the biotechnology industry is becoming increasingly service-oriented, with an increasing number of companies offering contract research and development for industrial customers. The sector is also likely to receive a boost from the pharmaceuticals industry in the coming years, since by the year 2007, patent protection for drugs with sales worth more than 80 billion dollars a year will run out. In the near future, therefore, the pharmaceuticals sector will be reliant on new, innovative developments, above all from the biotechnology field. Apart from these opportunities, however, risks can be seen particularly for those biotech firms with only a small number of products in their pipeline. As in this case the success of the company depends on only one or a small number of substances, setbacks in research and development can severely impact the growth of the business.

However, with its multifarious technology platforms and its various company shareholdings, november AG stands on a broad base and the foregoing risk can therefore be seen as relatively small. The revenue and financial targets of the company are naturally based on assumptions on which it in some cases has no or only little influence. Should the basis for target definition change, therefore, the expectations would have to be adjusted accordingly.

Uncompromising utilization of opportunities

Besides unavoidable risks, the field of research and development also offers substantial opportunities and potential. Thus, for instance, research results that arise as a by-product can open up previously unforeseen possibilities. While there is always the risk that developments may be delayed, there is also the chance that results in research and development may be achieved more quickly than originally anticipated as a result of positive factors all coming together. It is also possible that a research area may offer a broader scope of applications than first thought, or that it may be useful for customers not originally identified as the target market. Also as regards the target markets addressed, market entry and market penetration may be achieved faster and more extensively than anticipated, especially if the markets concerned themselves develop more positively than prognosticated and/or if it is possible to win powerful sale and cooperation partners who are already established on the market.

Effective risk management

In accordance with the German law relating to control and transparency in business companies (KonTraG), november AG already implemented a structured, group-wide risk management system in 1999 for the control, management and avoidance of company risks. This system is supported by the work of the supervisory board, a policy

of openness and transparency in communication with the public, and a system of corporate management that meets the requirements of the German Corporate Governance Code, with deviations from the recommendations of the latter in only a few, substantiated cases.

The basis on which risk review is performed are the goals as formulated in the business plan. The existing system was also rigorously applied during the 2004 financial year. It allows critical developments to be recognized and analyzed, and appropriate countermeasures to be adopted at an early stage. Additionally, the risk management system is being constantly improved and developed further. Through proactive measures, therefore, the management is able to respond to any possible risks when they are already only starting to emerge. To this end, november AG ensures an efficient exchange of information:

- november AG and its subsidiaries have a risk manual in which discernible and predefined business risks and appropriate risk tolerance limits are defined which, if reached, automatically trigger a risk report to the management board. At november AG, risk owners are primarily the first and second management tier, the managing directors of affiliates, as well as certain specialists within the company (security officer, IT, quality management).

- The management of the parent company is kept informed of all major project developments at the subsidiaries through regular meetings and constant exchange of information.

- Except for those handled by the management board, activities or business transactions that involve risk are never undertaken by one employee alone.

- Company controlling is based to a large extent on plans covering several years which reflect the financial situation of the entire group of companies and are updated on a revolving basis. Under a strategic management process involving, among others, the management of affiliates, the controllers and the management board, monthly target/actual comparisons are conducted and timely countermeasures initiated in the event of any significant deviations.

november AG also has an effective range of instruments for dealing with general business risks:

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 appropriately developing and skilling its personnel and through organizational measures such as the duty to maintain records and to keep other persons informed.

- The protection of intellectual property is the subject of active measures within the company and is additionally supported by external patent lawyers. This relates to both license management as well as the assertion and defense of our own protection claims.

- november AG takes out insurance to reduce the risk arising from a variety of events and liability risks. The nature and scope of cover is kept under constant review and is adjusted as and when necessary. Despite these precautionary measures, however, damage or compensation claims cannot be completely ruled out.

- To support the risk management system, november AG and its *identif GmbH* and *directif GmbH* subsidiaries operate a quality management system certified to DIN ISO 9001:2000. The issue of work instructions and standard operating procedures ensures that work steps are carried out in a uniform manner.

- IT risks are limited through stringent access restrictions.

The general market risks for the technologies and products developed apply to biotechnology companies just as to all others. To take account of them, november AG pursues active risk management also in this area:

- The whole portfolio of november AG is actively steered by the management board by submitting it to regular market review in terms of opportunities and risks.

- Through continuous screening of the relevant publications and databases, market and technology developments are recognized at an early stage.

The november group is also subject to specific risks arising from business developments or from the markets the company seeks to address:

- Because of its size, november AG is currently restricted to the development of particular technologies and components for its products. It is therefore dependent to a significant degree on development and sales partners. november AG seeks to reduce this risk by the conclusion of binding agreements and by stringent project controlling.

- The product and brand protection systems offered by *identif GmbH* fall within the category of capital goods and as such are dependent on the willingness of companies to invest. A negative development in the economy as a whole could therefore also directly affect the success of *identif GmbH*.

- Our *PEQLAB Biotechnologie GmbH* subsidiary procures some of its supplies from the US dollar area. The resulting foreign exchange risk is limited through dollar currency options. In the past year, it was not necessary to make use of currency options of this kind as the purchasing prices fell due to the continuing weakness of the dollar.

- Pursuant to the purchase and participation agreement concluded with *responsif GmbH* on 21 February 2003, november AG has granted *responsif* several loans. Repayment of the loans will depend to a large extent on successful development of the potential immune therapy substances and the influx of further funding.

- The risk of unwitting use of proprietary intellectual property of third parties is countered through close collaboration with a firm of patent lawyers and constant patent research. We also safeguard the situation of our own proprietary rights through expert legal opinions by outside parties.

The risks outlined above, which are only partially controllable, nevertheless do not lessen november AG's confidence in being able to continue the positive development of the past also in the financial year 2005. No imponderable risks or other factors which would be liable to jeopardize the continued existence of the company became known to the management during the period under review.

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended
31 December 2004 (IFRS)

november AG

Consolidated balance sheet for the year ended 31 December 2004 according to International Financial Reporting Standards (IFRS)

Consolidated balance sheet ASSETS				
	Note	12/31/2004 EUR	12/31/2003 TEUR	Change (%)
CURRENT ASSETS				
Cash & cash equivalents	(1)	8,837,271	11,456	-23
Short-term marketable securities	(2)	0	39	
Trade accounts receivable	(3)	460,085	437	5
Inventories	(4)	941,888	792	19
Other current assets	(5)	701,352	1,327	-47
Prepaid expenses	(6)	24,960	35	-29
Total current assets		**10,965,556**	**14,086**	**-22**
NON-CURRENT ASSETS				
Property, plant and equipment	(7)	1,114,108	1,156	-4
Intangible assets	(8)	202,783	102	99
Goodwill	(9)	1,106,604	1,296	-15
Investments	(10)	2,755,435	1,692	63
Deferred taxes	(11)	11,537,871	10,314	12
Total non-current assets		**16,716,801**	**14,560**	**15**
TOTAL ASSETS		**27,682,357**	**28,646**	**-3**

Consolidated balance sheet for the year ended 31 December 2004 according to International Financial Reporting Standards (IFRS)

Consolidated balance sheet LIABILITIES				
	Note	12/31/2004 EUR	12/31/2003 TEUR	Change (%)
CURRENT LIABILITIES				
Trade accounts payable	(12)	456,022	388	18
Advance payments received	(12)	12,841	14	-8
Current portion of amounts owed to banks	(12)	115,760	129	0
Other current liabilities	(12)	1,097,452	212	418
Accrued expenses	(13)	1,087,882	794	37
Total current liabilities		**2,769,957**	**1,537**	**80**
NON-CURRENT LIABILITIES				
Long-term portion of amounts owed to banks	(12)	321,395	437	-26
Total non-current liabilities		**321,395**	**437**	**-26**
Minority interests	(14)	**213,755**	**156**	**37**
SHAREHOLDERS' EQUITY				
Subscribed capital	(15)	7,468,320	7,468	0
Additional paid-in capital	(15)	43,243,809	43,244	0
Accumulated deficit	(15)	-26,334,879	-24,196	9
Total shareholders' equity		**24,377,250**	**26,516**	**-8**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**27,682,357**	**28,646**	**-3**

Consolidated income statement according to International Financial Reporting Standards (IFRS) 1 January to 31 December 2004

	Note	2004 EUR	2003 TEUR	Change (%)
Revenues	(16)	5,586,133	4,424	26
Costs of revenues	(17)	3,063,999	2,336	31
Gross profit	(18)	**2,522,134**	**2,088**	**21**
Costs of sales	(19)	2,560,281	2,166	18
General administrative expenses	(20)	1,706,719	1,235	38
Research and development costs	(21)	2,807,980	3,431	-18
Other operating income	(22)	912,514	1,011	-10
Other operating expenses	(23)	390,437	526	-26
Amortization of goodwill	(9)	189,703	190	0
Operating income/loss		**-4,220,472**	**-4,449**	**-5**
Interest income and expenditure	(24)	1,026,753	127	708
Other financial expenses	(25)	-35,036	-146	-76
Financial result		**991,717**	**-19**	**-5,320**
Result before taxes and minority interests		**-3,228,755**	**-4,468**	**-28**
Income tax	(26)	1,147,537	1,671	-31
Result before minority interests		**-2,081,218**	**-2,797**	**-26**
Minority interests	(14)	-57,338	-20	187
Consolidated net loss		**-2,138,556**	**-2,817**	**-24**
Loss carry-forward		-24,196,323	-21,379	13
Accumulated deficit	(15)	**-26,334,879**	**-24,196**	**9**
Earnings per share (undiluted) (EPS)	(27)	-0.29	-0.41	
Average shares outstanding		**7,468,320**	**6,859,809**	

Change in shareholders' equity for the financial year 2004 and the corresponding period of the previous year

The changes in shareholders' equity (IAS 1 Tz. 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' equity
31 December 2002	**6,811**	**40,690**	**-21,379**	**26,122**
Change in shareholders' equity through contributions in cash:				
- Capital increase under Authorized Capital III	657	2,694	0	3,351
- Costs of capital increase	0	-140	0	-140
Consolidated net loss 2003	0	0	-2,817	-2,817
31 December 2003	**7,468**	**43,244**	**-24,196**	**26,516**
Consolidated net loss 2004			-2,139	-2,139
31 December 2004	**7,468**	**43,244**	**-26,335**	**24,377**

Cash flow statement (IFRS)
1 January to 31 December 2004

	Note	2004 EUR	2003 TEUR
CASH FLOW FROM OPERATING ACTIVITIES			
Consolidated net loss		-2,138,556	-2,817
Adjustment for:			
Minority interests	(14)	57,337	20
Depreciation and amortization of fixed assets		550,843	587
Income from change in deferred taxes	(11)	-1,224,340	-1,684
Change in net current assets:			
Decrease in inventories, trade receivables and other assets		462,632	7,008
Increase in trade payables and other liabilities (previous year: decrease)		1,247,233	-1,099
Net cash from operating activities		**-1,044,851**	**2,015**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of fixed assets:			
Disbursements for investments		-420,049	-181
Proceeds from the sale of fixed assets		8	471
Disbursements in connection with investments		-1,063,610	-627
Net cash from investing activities		**-1,483,651**	**-337**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from additions to equity		0	3,211
Disbursements for the repayment of loans		-129,292	-129
Disbursements for the redemption of bonds		0	-124
Cash employed for financing activities		**-129,292**	**2,958**
Cash and cash equivalents at the start of the period		11,495,065	6,859
Cash and cash equivalents at the end of the period	(28)	**8,837,271**	**11,495**

The following note is an integral part of these consolidated financial statements.

CASH AND CASH EQUIVALENTS INCLUDING INVESTMENTS (short- and long-term):

	Note	2004 EUR	2003 TEUR
Cash & cash equivalents at the end of the period		8,837	11,495
Investments (short-term portion)	(5/10)	0	1,000
Total cash & cash equivalents at the end of the period		**8,837**	**12,495**

Notes on the Consolidated Financial Statements for the financial year 2004

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). Following the IPO on 10 April 2000, the company was listed on the Frankfurt Stock Exchange, but since 1 January 2003 has been included in the "Prime Standard" premium segment of the German Stock Exchange.

The object of the enterprise is the development and marketing of molecular biological analysis and therapy methods as well as 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 but not the diagnostic aspects are concerned, which latter must be conducted by licensed physicians, as well as consultancy and the performance of research contracts in these fields, insofar as such consultancy is conducted within the relevant professional scope and does not relate to consultancy for patients.

The object of the enterprise is also the acquisition, disposal, holding and administration of equity participations in enterprises, and in particular those operating in the aforesaid fields of activity, as well as bundling of the same under uniform management, and consultancy for enterprises and the acquisition, disposal, utilization and administration of proprietary rights of all kinds as well as financial dealings insofar as no special official or statutory license is required therefor.

The company is also authorized to carry on its business activities through wholly or partly owned subsidiaries and cooperative ventures and to conclude enterprise and cooperation agreements with other companies. The company is authorized to establish branches at home and abroad.

The company is further authorized to do all business as may appear useful to the object of the enterprise, whether directly or indirectly, provided no special official or statutory license is required for such business.

General Principles – Application of the International Financial Reporting Standards (IFRS)

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 Financial Reporting Standards (IFRS), 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 International Financial Reporting Interpretations Committee (IFRIC) have been applied.

The accounting, valuation and consolidation methods employed deviate from German law in the following points:

- Deferred taxes: The consolidated financial statements of november AG according to IFRS 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 IFRS, 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 fully written down.

- In the IFRS 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.

- The external costs for the capital increase through contributions in cash which was undertaken in the financial year 2003 have been set against additional paid-in capital in accordance with SIC 17 and therefore do not affect income; in the individual financial statements prepared according to the German Commercial Code, on the other hand, they are carried as expenses in the income statement.

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).

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 and in compliance with SIC 12, the following companies have been included in the consolidated financial statements:

- november AG, domiciled in Erlangen, as the parent company.

- *identif GmbH*, domiciled in Erlangen, as a subsidiary company. As at 31 December 2004, november AG held 100% of the voting shares (nominal capital TEUR 25, capital reserve: TEUR 354.7).

On 28 December 2004, november AG concluded an agreement with the US chemicals company **E.I. du Pont de Nemours and Company (P&IP)**, Delaware, USA, for the sale of a 10% share in *identif GmbH* to that company. The share is to be acquired in two portions of 5% each. A first payment in performance of the agreement of TEUR 835 was already made at the end of 2004. As, pursuant to the agreement, the acquisition of an initial share of 5% in *identif GmbH* by DuPont (P&IP) only became effective on 1 January 2005, the full amount of the payment already received is carried on the liabilities side of the balance sheet as at 31 December 2004 under "Other liabilities".

- *directif GmbH*, domiciled in Erlangen, as a subsidiary company. november AG holds 100% of the voting shares (nominal capital: TEUR 25, capital reserve: TEUR 171.90).

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

By transfer and contribution agreements of 19 December 2003, two former business divisions of november AG, namely *identif* Technologies and *directif* Diagnostic Solutions, were spun off on 31 December 2003 as *identif GmbH* and *directif GmbH* respectively. The general meeting of november AG in May 2004 gave its consent to the conclusion of profit and loss transfer agreements between november AG and these two subsidiary companies with retrospective effect as of 1 January 2004.

On 31 December 2004, november AG as the parent company was the sole owner of all the shares in both of the aforesaid companies. As wholly owned subsidiaries, the spun-off divisions have been consolidated in the financial statements as at 31 December 2004.

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.

Since August 2004, november AG has held a 22.4% stake in the Swedish biotechnology and pharmaceuticals company *ZAFENA AB*, of Vetra Kloster. In addition to the further development of a blood coagulation monitoring device, *ZAFENA AB* also develops innovative products for the stabilization of stored blood products. The stake in *ZAFENA AB* will give november AG access to the blood bank, blood products and blood analysis markets.

On 31 December 2004, november AG owned 23.88% of the shares of **ACGT ProGenomics AG** in Halle. The shares were purchased on 1 November 2001. In accordance with IAS 28, the stake is shown separately in the consolidated balance sheet under the item "Investments valued according to the equity method". The value of the shareholding was already written down in full on 31 December 2003. There were no reasons for write-up on 31 December 2004.

The cut-off date for the consolidated financial statements is the same as the cut-off date for november AG (31 December 2004). The cut-off date for the financial statements of *identif GmbH*, *directif GmbH* and *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.

Formerly, the goodwill resulting from the initial consolidation of *PEQLAB Biotechnologie GmbH* was written down in accordance with IAS 22 over an expected useful life of 10 years. In light of the new IAS 36, which no longer provides for regular amortization of goodwill but only permits it under an impairment test which is required to be performed regularly and which has to be applied compulsively by november AG as from 2005, voluntary amortization of goodwill was taken for the last time in the financial year 2004.

The shareholding in *ACGT ProGenomics AG* is valued in the financial statements according to the equity method. The value of the shareholding, for which a correction had already been made in previous years, was written down in full with effect as of 31 December 2003, since future funding could not be viewed as secured on the cut-off date. While the uncertainties regarding funding were lessened through the entry of further shareholders in the financial years 2002, 2003 and a further funding round at the end of the financial year 2004, but a need to write up the value on the balance sheet cut-off date for the year under review could not be seen.

The minority shareholding in *ZAFENA AB* is not included in the november AG consolidated financial statements. In accordance with the principle of materiality, valuation under IAS 28 (Accounting for Investments in Associates) can be waived and IAS 39 applied instead if the investment is of subordinate importance within the group context. The shareholding is therefore reported in accordance with IAS 39 (Financial Instruments) at the attributable current value, which at the time of acquisition of the investment is equivalent to the acquisition costs. Retrospective acquisition costs are capitalized. Review of the value on the balance sheet cut-off date of 31 December 2004 indicated no need for a value adjustment.

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

In previous years, intercompany elimination was waived on grounds of immateriality. On 31 December 2004, however, all intercompany results occurring were completely eliminated.

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 non-current 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.

Short-term marketable securities are shown at their market value on the cut-off date, if any such is available, or at their historical cost if a market valuation is not possible.

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 or their net sale value, if lower.

Property, plant and equipment is shown at historical/production cost, reduced by regular depreciation for use. Assets of low value are written down in full in the year of acquisition.

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

- Buildings on land owned by others — 7 - 10 years
- Other operational and office equipment — 1 - 23 years

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 1 and 10 years.

The goodwill arising from the capital consolidation of *PEQLAB Biotechnologie GmbH* was written down in previous years over an expected useful life of 10 years. The value was reviewed at each balance sheet cut-off date. Because of the new IAS 38, which november AG must apply starting from the financial year 2005, goodwill can only be amortized on the basis of regular impairment tests. Regular amortization was therefore taken for the last time in the financial year 2004.

In accordance with IAS 38, research and development costs are booked as expenses for the financial year.

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%, 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 2004.

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.

Explanatory notes on the consolidated balance sheet

Current assets

1. *Cash and cash equivalents*

As at the balance sheet cut-off date, the company had current assets amounting to altogether TEUR 10,966, including TEUR 8,837 (previous year: TEUR 11,456) in the form of cash and cash equivalents. This were made up entirely of money held on call or on deposit at German banks with a residual term of less than one year. The forms of investment can be rated as risk-free.

Of the aforesaid amount, a sum of TEUR 240 (previous year: TEUR 288) has been pledged to the lender as security for a loan of the Kreditanstalt für Wiederaufbau (KfW), which is explained under ***(12)*** "Amounts owed to banks". A further sum of TEUR 250 has been deposited at a German bank as security for a guarantee credit.

As at 31 December 2004, total cash and cash equivalents amounted to EUR 8.8 million (previous year: EUR 12.5 million). A breakdown is provided under ***(28)***.

2. *Marketable securities*

The previous year's value for "Marketable securities" (TEUR 0, previous year: TEUR 39) consisted entirely of shares in the firm of Medirox AB, Sweden. Valuation was done at the share price on the day of transfer of the shares and was subsequently retained after being kept under continuous review. In connection with the acquisition of the minority stake in *ZAFENA AB* in the course of the financial year 2004, the marketable securities were contributed to *ZAFENA AB* at book value.

3. *Trade accounts receivable*

The trade accounts receivable in an amount of TEUR 460 (previous year: TEUR 437) 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*

As at the cut-off date, the inventories had a value of TEUR 942 (previous year: TEUR 792). The inventories were made up as follows:

(in TEUR)	12/31/2004	12/31/2003
Laboratory, consumption and other materials	20	20
Finished and unfinished goods and goods purchased for resale	888	727
Prepayments made	34	45
Total	**942**	**792**

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

5. *Other current assets*

The total of TEUR 701 (previous year: TEUR 1,327) for "Other current assets" is made up as follows:

(in TEUR)	12/31/2004	2003
Portion of investments due within one year		1,000
Tax prepayments	367	156
Other	334	171
Total	**701**	**1,327**

The tax prepayments relate to withholding tax on investment and interest income, plus special solidarity surcharge, paid during the financial year 2004 but not yet assessed and amounting to altogether TEUR 367 (previous year: TEUR 156).

The higher tax prepayments as compared to the previous year was mainly due to disbursement of the variable payment at the end of the term of a loan against borrower's note. This investment comprised a large part of the proceeds from the IPO in the financial year 2000. The loan in an amount of originally EUR 28 million was completely repatriated and settled in the contractually agreed tranches by the end of the financial year 2004. The previous year's figure for "Portion of investments due within one year" (TEUR 1,000) likewise relates to this now fully repaid loan and accrued in full in the financial year under review to the cash and cash equivalents ***(1)***.

The "Other" item includes interest not yet due (TEUR 64, previous year: TEUR 1), rent deposits (TEUR 18, previous year: TEUR 18), VAT claims (TEUR 57; previous year: TEUR 0) and grants promised by public institutions (TEUR 178; previous year: TEUR 111).

6. *Prepaid expenses*

The prepaid expenses in an amount of TEUR 25 (previous year: TEUR 35) mostly relate to expenses paid in advance for insurance premiums and contributions for pensions.

Non-current assets

The composition of and change in the fixed assets is shown in detail in the "Statement of changes in assets of the group" which is annexed to these notes.

7. *Property, plant and equipment*

In the financial year 2004, the november Group invested TEUR 287 (previous year: TEUR 151) in property, plant and equipment. Of this sum, "Buildings on land owned by others" accounted for TEUR 24 (previous year: TEUR 2), "Technical equipment and machinery" for TEUR 7 (previous year: TEUR 13), and "Operational and office equipment" for TEUR 256 (previous year: TEUR 136). The item "Other operational and office equipment" included new assets of low value in an amount of TEUR 49 (previous year: TEUR 23), which were written off in full in the year of acquisition.

In the financial year 2004, no items of property, plant and equipment were sold (previous year: TEUR 449).

After allowance for regular depreciation, the book value of the property, plant and equipment stood on 31 December 2004 at TEUR 1,114 (previous year: TEUR 1,156).

8. *Intangible assets*

The figure for "Intangible assets" of TEUR 203 (previous year: TEUR 102) is made up of patents and similar rights acquired for consideration as well as IT software. Additions to the intangible assets in the year under review amounted to TEUR 133 (previous year: TEUR 30).

9. *Goodwill*

As in the previous year, the goodwill capitalized resulted from the acquisition of *PEQLAB Biotechnologie GmbH* in the year 2000. In the year under review, depreciation and amortization of goodwill amounted to TEUR 190 and is shown in the income statement under "Depreciation and amortization of goodwill". Depreciation and amortization is based on a period of 10 years. Pursuant to the amended IFRS, the november Group may compulsively as from 2005 no longer apply regular depreciation and amortization; Instead, it must conduct a regular impairment test. Regular depreciation and amortization was therefore taken for the last time on 31 December 2004. As at 31 December 2004, therefore, goodwill stood at TEUR 1,106 (previous year: TEUR 1,296).

10. *Investments*

As at 31 December 2004, the investments of november AG amounted to TEUR 2,755 (previous year: TEUR 1,692).

The "Investments" include loans granted in the financial years 2003 and 2004 to *responsif GmbH* in a total amount of TEUR 2,650 (previous year: TEUR 1,650) with a term of up to 10 years. Interest is payable on the loan disbursed in the previous year at a rate of 4% p.a. starting from 1 April 2004, and on the loans granted in the year under review also at a rate of 4% p.a. starting from the time of disbursement. The loans are subject to a postponement of priority.

The "Investments" also include the value of the stake in *ZAFENA AB* in an amount of TEUR 60. Valuation is at acquisition cost in accordance with IAS 28 in conjunction with IAS 39.

Also included in the "Investments" are two loans granted by *PEQLAB Biotechnologie GmbH* to third parties, plus the interest (9% p.a.) accrued up to the balance sheet cut-off date, in an amount of altogether TEUR 45 (previous year: TEUR 42).

The item further includes a loan granted to *ACGT ProGenomics AG*, which was already written down to EUR 1 in the financial year 2001 and completely written off on 31 December 2003. This loan was granted by november AG in the financial year 2000 in an amount of EUR 127,823, plus accrued interest. The loan is subject to a postponement of priority. The claim to interest for the year 2004 in an amount of TEUR 7 (previous year: TEUR 7) has been fully written down. Because of the financial situation at *ACGT ProGenomics AG* in the financial years 2004/2005, there was no possibility to make a write-up as at 31 December 2004.

11. Deferred taxes

The capitalized amount of TEUR 11,538 (previous year: TEUR 10,314) comprises the loss carry-forwards of november AG accrued since the IPO up to 31 December 2004 which pursuant to IAS 12.34 are expected to be able to offset against tax payable on future profits. Loss carry-forwards of the subsidiaries are not included in the figure as at 31 December 2004.

Though forecasts on business outlook and future turn-over, sales and cash-flows resulting from business planning calculations based on relevant market analyses evidence could be provided that there is a high probability that a taxable result will be achieved within the years to come in a sufficient amount to allowing unused loss carry-forwards to be deducted.

The loss carry-forwards attributable to the period before the IPO on 10 April 2000 have not been capitalized. The reason for this is the hitherto unclear interpretation of § 8 Para. 4 KStG [Corporate Income Tax Act] relating to the offsetability of losses incurred before the IPO against future profits of november AG.

12. Liabilities

The liabilities existing on 31 December 2004 in a total amount of TEUR 2,003 (previous year: TEUR 1,180) are shown broken down by term in the following table, with the respective value for the previous year given in brackets "()”:

(in TEUR)	Under 1 year		1 to 5 years		Over 5 years		Total	
Trade accounts payable and prepayments received	444	(402)	25	(0)	0	(0)	469	(402)
Amounts owed to banks	116	(129)	301	(352)	20	(85)	437	(566)
Other liabilities	1,097	(212)	0	(0)	0	(0)	1,097	(212)
Total liabilities	**1,657**	**(743)**	**326**	**(352)**	**20**	**(85)**	**2,003**	**(1,180)**

The "Trade accounts payable" amount to altogether TEUR 456 (previous year: 388) and are shown at their repayment values. Trade accounts payable with a total value of TEUR 431 have a residual term of less than one year.

The item "Amounts owed to banks" totaling TEUR 437 (previous year: TEUR 566) was made up on 31 December 2004 as follows:

In the financial year 2001, a loan in an original amount of KEUR 511 from the Kreditanstalt für Wiederaufbau (KfW) and repayable in 16 equal installments was disbursed to november AG by Sparkasse Kulmbach. The interest rate throughout the term of the loan is 4.75% p.a.. The residual term is 5 years. As at 31 December 2004, the amount still owing stood at TEUR 319 (previous year: TEUR 383), of which 75% is secured by the hypothecation of bank account balances.

An amount of TEUR 118 (previous year: TEUR 183) relates to bank liabilities of *PEQLAB Biotechnologie GmbH*. The loans are subject to interest rates of between 5% and 7.1% p.a., and have residual terms of between 2 and 10 years. The loans are secured by blanket assignment of all trade accounts receivable of *PEQLAB Biotechnologie GmbH*.

The "Other liabilities" in a total amount of TEUR 1,097 (previous year: TEUR 212) primarily relate to the payment received for the purchase of a shareholding, payroll, church and sales taxes (TEUR 113, previous year: TEUR 66), amounts owed for social security (TEUR 86, previous year: TEUR 82), overpayments received (TEUR 34, previous year: TEUR 57), wage and salary liabilities (TEUR 16, previous year: TEUR 6), and payments for inventions (TEUR 12, previous year: TEUR 0). The amounts are all due within one year.

13. *Accrued expenses*

Consolidated accruals in the financial year 2004 changed as follows:

(in TEUR)	01/01/2004	Used	Writeback	Addition	12/31/2004
Tax accruals	23	0	0	41	64
Personnel provisions	234	179	0	219	274
Outstanding invoices	97	95	2	71	71
Other	439	288	17	545	679
Total	**793**	**562**	**19**	**876**	**1,088**

The tax accruals include in particular accruals for municipal trade tax and corporate income tax of *PEQLAB Biotechnologie GmbH* for 2004.

The personnel provisions relate to variable pay components and holiday leave provisions.

The "Other" item is chiefly made up of the following uncertain liabilities:

- Production and audit of the annual financial statements (TEUR 50, previous year: TEUR 57)
- Production of the business report (TEUR 25, previous year: TEUR 30)
- Conduct of the general meeting that will resolve on the financial year 2004 (TEUR 74, previous year: TEUR 80)
- Supervisory board remuneration for the financial year under review (TEUR 88, previous year: TEUR 88)
- Potential license fees (TEUR 241, previous year: TEUR 124)
- Contributions to the employees' professional association fund (TEUR 29, previous year: TEUR 25)
- Other uncertain obligations (TEUR 172, previous year: TEUR 45)

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*

The share of equity of the subsidiary company *PEQLAB Biotechnologie GmbH* in an amount of TEUR 214 (previous year: TEUR 156) accounted for by its minority shareholder is included in this item. The change in minority shares compared to the previous year is reflected in the corresponding item in the income statement.

15. *Shareholders' equity*

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

Capital stock
As at 31 December 2004, the capital stock amounted to EUR 7,468,320 (31 December 2003: EUR 7,468,320), divided into 7,468,320 (31 December 2003: 7,468,320) no-par bearer shares. The capital stock has remained unchanged from the level on 31 December 2003.

Additional paid-in capital
As at 31 December 2004, the additional paid-in capital stood at EUR 43,243,809 (previous year: EUR 43,243,809). The additional paid-in capital has remained unchanged from the level on 31 December 2003.

The general meeting of the company passed a resolution in May 2004 concerning restructuring of the authorized and contingent capital. With effect as of 31 December 2004, the situation in this regard was as follows:

Authorized capital
The management board is authorized, with the consent of the supervisory board and by not later than 21 May 2009, to increase the capital stock of the company by the issue of new bearer shares for contributions in cash or in kind by up to EUR 3,734,160.00 (authorized capital). The new shares may also be issued to employees of the company and its affiliates and associates. The management board may decide with the consent of the supervisory board on exclusion from subscription rights.

The subscription right may also be excluded by the management board, with the consent of the supervisory board but in compliance with the provisions of the statutes, for a capital increase in return for contributions in cash for an amount of up to EUR 746,832.00.

The management board is authorized to specify the amount and terms of the issue and, with the consent of the supervisory board, the further terms of the share rights and the other details for conduct of the capital increase and to amend the statutes in line with the scope of the capital increase from authorized capital.

As at the balance sheet cut-off date of 31 December 2004, therefore, the management board was authorized to increase the capital of the company by up to EUR 3,734,160.00 under authorized capital.

Contingent capital

Contingent capital I.: By resolution of the general meeting of May 2004, the capital stock has been conditionally increased by up to EUR 3,600,000.00, divided into up to 3,600,000 bearer shares. The contingent capital increase will only be implemented insofar as the holders or creditors of conversion or option rights or parties with a duty to exercise or convert under optional or convertible bonds which are issued by the company or a directly or indirectly wholly owned subsidiary of the company by 20

May 2009 avail themselves of their option or conversion rights or fulfil their duty to exercise the option or to convert and if the issue is in return for cash. The new shares are entitled to participate in profits from the start of the financial year in which they are created through the exercise of conversion or option rights or the fulfillment of conversion duties. The management board is authorized, with the consent of the supervisory board, to specify the further details for the performance of a conditional capital increase.

Contingent capital II.: The capital stock is further conditionally increased by up to EUR 134,160.00, divided into up to 134,160 no-par bearer shares. The contingent capital increase serves only to fulfil share option rights of the eligible persons named in the resolution of the general meeting (*november Share Scheme 2004*). The contingent capital increase may only be conducted to the extent that holders of share option rights exercise their right thereunder and the company does not fulfil the share options in the form of a cash payment. The new shares are entitled to participate in profits from the start of the financial year for which, at the time of issue of the new shares, no resolution has as yet been adopted by the general meeting on appropriation of the balance sheet profit.

As at the balance sheet cut-off date of 31 December 2004, the capital of november AG had increased conditionally by altogether EUR 3,734,160.

In the financial year 2004, no shares or rights to shares were issued.

Accumulated deficit

On inclusion of the net loss for the financial year 2004 of TEUR 2,139, the accumulated deficit as at 31 December 2004 amounted to TEUR 26,335 (previous year: TEUR 24,196).

Explanatory notes on the income statement and segmental report

The financial information is segmented according to the companies included and fully consolidated in the consolidated financial statements, namely the parent company november AG and its subsidiary companies *identif GmbH*, *directif GmbH* and *PEQLAB Biotechnologie GmbH*. *identif GmbH* and *directif GmbH* were formed on 31 December 2003 as spin-offs of two former business divisions, *identif* Technologies and *directif* Diagnostic Solutions. The previous year's figures provided for comparison refer up to 30 December 2003 to the business divisions and from 31 December 2003 to the companies created from them.

Amounts resulting from group activities are shown in the column "november AG".

Gross assets
The gross assets include all capitalized assets which are used by a company for its operating activities. They do not include cash and cash equivalents, marketable securities, tax discounts included in the "Other assets", the investments (long-term and short-term portion), or the capitalized deferred taxes.

The sum of TEUR 651 (previous year: TEUR 667) shown in the "november AG" column is made up as follows:

(in TEUR)	12/31/2004	12/31/2003
Intangible assets	103	88
Property, plant and equipment	428	511
Trade accounts receivable	28	27
Other assets and prepaid expenses	92	41
Total	**651**	**667**

Liabilities
The liabilities of a company comprise the "Trade accounts payable", the "Prepayments received", parts of the "Other liabilities" and that part of the "Accruals" resulting from the operating activity of the company.

Investments
All additions within a financial year to the gross assets previously shown are pooled under "Investments". Regular depreciation pro rate temporis is taken on the depreciable fixed assets.

(in TEUR)		identif GmbH	directif GmbH	PEQLAB Biotechnologie GmbH	november AG	Group
Revenues and other	2004	436	578	5,096	389	6,499
operating income	2003	220	504	4,096	615	5,435
Research and	2004	920	1,851		37	2,808
development costs	2003	1,255	2,177			3,432
Depreciation and amortization	2004	107	60	56	328	551
	2003	102	100	62	228	492
Operating income/loss	2004	-1,318	-1,671	170	-1,423	-4,242
	2003	-1,742	-1,688	115	-1,133	-4,448
Gross assets	2004	552	412	1,449	651	3,064
	2003	533	281	2,471	667	3,952
Liabilities	2004	207	157	935	1,708	3,007
	2003	96	179	249	68	592
Investments	2004	154	150	46	70	420
	2003	84	20	44	22	170
Employees	2004	9	19	20	16	64
(average on full-time basis)	2003	11	17	17	18	63

16. *Revenues*

The group revenues increased in the year under review by 26% to TEUR 5,586 (previous year: TEUR 4,424). The revenues break down for the individual companies as follows:

Company (figures in TEUR)	2004	2003
november AG		393
identif GmbH (from 01/01/2004)	296	
directif GmbH (from 01/01/2004)	250	
PEQLAB Biotechnologie GmbH	5,040	4,031
Total	**5,586**	**4,424**

Geographical segmentation of the sales markets shows the following picture:

Financial year (figures in TEUR)	Home	EU	Other	Total
2004	4,840	367	379	5,586
2003	3,704	362	358	4,424

17. *Costs of revenues*

The costs of revenues amounted in the year under review to TEUR 3,064 (previous year: TEUR 2,336) and included in addition to the directly attributable personnel and material costs also the production-related overheads as well as the depreciation and amortization of property, plant and equipment (IAS 2).

18. *Gross profit*

Compared to the previous year, the gross profit rose by 21% to TEUR 2,522 (previous year: TEUR 2,088). The gross margin therefore amounted to 45% for the period 1 January – 31 December 2004 (previous year: 47%).

19. *Costs of sales*

Compared to the previous year (TEUR 2,166), the costs of sales increased by 18% to TEUR 2,560 in the financial year 2004. The sales expenses were mostly attributable to *PEQLAB Biotechnologie GmbH*, but were also partially incurred in connection with the market launch of the products of *identif GmbH*.

20. *General administrative expenses*

The general administrative expenses amounted to TEUR 1,707 (previous year: TEUR 1,235) in the year under review, equivalent to an increase of 38% on the previous year. The figure includes the expenses for general administrative activities, especially for the performance of group-wide holding functions, as well as expenses attributable to the managements of the companies. The item predominantly comprises 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, consultancy and accounting costs.

21. *Research and development costs*

The research and development costs fell as planned in the year under review, especially through the market entry of *identif GmbH*, by 18% to TEUR 2,808 (previous year: TEUR 3,432). The total R&D expenses are covered in the income statement.

The research and development costs break down as follows:

Type of costs (in TEUR)	2004	2003
Personnel expenses	1,032	1,223
Outside services	534	573
Patent-related costs	264	296
Costs of premises	268	205
Depreciation and amortization	163	200
Costs of materials	127	138
Other expenses	420	797
Total	**2,808**	**3,432**

The "Other expenses" primarily relate to costs for quality management, IT services, office costs, consultancy costs, costs for repairs/ maintenance as well as advertising and travel expenses.

The research and development costs are attributable to the companies as follows:

(in TEUR)	identif GmbH	directif GmbH	november AG	Total
2004	920	1,851	37	2,808
2003	1,255	2,177	0	3,432

22. *Other operating income*

The "Other operating income" in the financial year 2004 amounted to TEUR 913 (previous year: TEUR 1,011). The item mainly comprised milestone payments and proceeds from feasibility studies (TEUR 122, previous year: TEUR 0), grants towards expenses from public institutions (TEUR 393; previous year: TEUR 390), income from services (TEUR 292; previous year: TEUR 409), income from the write-back of accruals (TEUR 20, previous year: TEUR 70) and rental income from *PEQLAB Biotechnologie GmbH* (TEUR 24, previous year: TEUR 29).

The grants received break down among the segments as follows:

Segment (in TEUR)	2004	2003
directif GmbH	204	253
identif GmbH	127	64
november AG *)	62	0
responsif Therapeutic Solutions **)	0	73
	393	**390**

*) Relates to a grant application which could not be transferred to *identif GmbH* after spin-off. The project is being continued by november AG in collaboration with *identif GmbH*.

**) The previous year's income of the former "responsif Therapeutic Solutions" segment related to grants towards expenses for the financial year 2002.

23. *Other operating expenses*

The "Other operating expenses" in the year under review of TEUR 390 (previous year: TEUR 526) chiefly related to expenses for buildings, allocations to accruals and third-party work. The item also included expenses of EUR 286 (previous year: TEUR 409) for services, which were offset by other operating income ***(22)*** in the same amount.

24. *Interest income and expenditure*

The period under review saw income from interest of TEUR 1,027 (previous year: TEUR 127). The item breaks down as follows:

(in TEUR)	2004	2003
Other interest and similar income	1,054	186
Other interest and similar expenses	27	59
Total	**1,027**	**127**

The main reason for the increase in interest income over the previous year was that the variable payment fell due on a loan against borrower's note issued in the financial year 2000 and in which a large portion of the proceeds from the IPO were invested. The interest payable on the loan was made up of a guaranteed rate of 1% p.a. and an additional return payable at maturity. The latter was coupled to the development of a fund portfolio. The additional interest was paid at the end of the financial year 2004. Calculated over the whole term (2000 to 2004), the loan against borrower's note earned total annual interest at a rate of 2.56%. In accordance with IAS, only the guaranteed interest of 1% p.a. was included in the previous year's result.

25. *Other financial expenses*

In the year under review, the "Other financial expenses" amounted to TEUR 35 (previous year: TEUR 146) and were largely made up of the costs for stock exchange listing/designated sponsoring (TEUR 28, previous year: TEUR 76). They also include a specific bad debt charge on the interest claim accrued in the financial year against ACGT ProGenomics AG in an amount of TEUR 7 (previous year: TEUR 7). The underlying claim was already fully written down in the financial year 2001.

In addition to the aforementioned items, the previous year's figure also includes depreciation and amortization of the residual book values of the shareholding and claim on ACGT ProGenomics AG, as well as depreciation and amortization of long-term investments and marketable securities.

26. *Income tax*

The figure of TEUR 1,148 shown for the financial year 2004 (previous year: TEUR 1,671) mostly comprises income in connection with deferred taxes in an amount of TEUR 1,224. This relates wholly to taxable losses which have not yet been utilized.

The following table shows a transition statement from the anticipated tax income for the financial year 2004 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.

Transition Statement	TEUR
Anticipated tax income	1,296
Actual income tax	-76
Non-tax-deductible amortization of goodwill	-72
Declared tax income	**1,148**

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 cash 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 7,468,320 shares for the year 2004 (previous year: 6,859,809 shares).

The undiluted earnings per share amounted to EUR -0.29 (previous year: EUR -0.41).

For calculation of the diluted earnings per share, the potential shares must additionally be included. As no option or conversion rights have currently been issued by november AG, no diluted earnings figure can be shown for the financial year 2004.

Material costs

The material costs calculated according to the total cost method break down as follows:

(in TEUR)	2004	2003
Costs of raw materials and supplies and goods purchased for resale	3,008	2,275
Costs of external services	516	603
Total	**3,524**	**2,878**

Personnel expenses

The personnel expenses calculated according to the total cost method break down as follows:

(in TEUR)	2004	2003
Wages and salaries	3,106	3,069
Social security contributions and other benefit costs	531	606
Pension costs	12	31
Total	**3,649**	**3,706**

Employees

The total personnel numbers are attributable to the companies of the november Group as follows (previous year's figure in brackets):

	identif GmbH	directif GmbH	PEQLAB Biotechnologie GmbH	november AG Holding	Group
Group					
Average	9 (12)	18 (14)	18 (17)	18 (20)	63 (63)
12/31/2004	8 (11)	20 (17)	20 (17)	17 (18)	65 (63)

As in the previous year, the total full-time employees include one management board member. In calculating the average number of employees, part-time employees have been aggregated as full-time employees.

Explanatory notes on the cash flow statement

28. *Cash and cash equivalents*

As at the balance sheet cut-off date of December 2004, the cash and cash equivalents shown in the cash flow statement consisted entirely of risk-free bank deposits and cash in hand: Comparison with the previous year is provided in the following table:

(in TEUR)	12/31/2004	12/31/2003
Cash in hand and on deposit	8,837	11,456
Short-term marketable securities		39
Cash and cash equivalents	**8,837**	**11,495**

Total cash and cash equivalents taking into account the loan against borrower's note explained under ***(5)*** were as follows:

(in TEUR)	12/31/2004	12/31/2003
Cash and cash equivalents	11,495	11,495
Other current assets		1,000
Total cash and cash equivalents	**11,495**	**12,495**

Interest payments/ income

The cash flow from operating activities includes interest payments in an amount of TEUR 26 (previous year: TEUR 59) and interest income in an amount of TEUR 990 (previous year: TEUR 178). The increase in interest income compared to the previous year was due to the fact that the variable payment explained under item ***(24)*** in connection with the repayment of a loan against borrower's note issued in the year 2000 fell due.

Other explanatory notes

Declaration pursuant to §285 No. 16 HGB in conjunction with §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 IFRS 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 year 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 (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 ***(5)*** and ***(10)***.

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 money on deposit 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

For a guarantee credit which is deposited as security for rent, a bank credit balance in an amount of TEUR 250 has been assigned as collateral to the guarantor.

Additionally, a credit balance of TEUR 240 has been hypothecated to the disbursing bank as security for a loan of the Kreditanstalt für Wiederaufbau.

In connection with the spin-off of *identif GmbH* and *directif GmbH*, several applications for grants together with all rights and duties have been transferred to the new subsidiary companies. november AG has given undertakings towards the respective project carriers to secure the co-financing for the share of the project costs to be borne by the subsidiaries themselves.
november AG gave an undertaking after the balance sheet cut-off date to issue a further loan of up to TEUR 1,000 to *responsif GmbH* during the financial year 2005.

Leasing

In the course of the financial year under review, a leasing agreement which is capitalizable pursuant to IAS 17 was concluded for an HPLC machine with a value of TEUR 37 and a term of 4 years. In the previous year, there were no capitalizable leasing agreements.

Expenses for operating leasing during the financial year are included in the income statement in an amount of TEUR 426 (previous year: TEUR 427).

Other financial obligations

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)	2005	2006 to 2009	after 2009
Real estate	**554**	**2,240**	**2,096**
november AG	435	1,765	1,997
PEQLAB Biotechnologie GmbH	119	475	99
Movables	**78**	**120**	**0**
Vehicle leasing	68	91	0
Operational and office equipment	10	29	0

Relationships with the following companies and persons

Rental agreement with Langer & Partner GbR
Dr. Bertling (CEO of november AG), Dr. Steib (supervisory board chairman of november AG) and other shareholders and former supervisory board members of november AG each hold a 20 % share in Langer & Partner GbR.

Since 1998 and 1999, november AG has rented the office and laboratory buildings used by it from Langer & Partner GbR. In the year 2001, the tenancy agreement was converted into a leasing agreement which was concluded "at arms length", on the basis of expert opinions prepared by independent auditors and real estate experts.

The total term of the lease is 13.5 years, beginning on 1 November 2000. In the year under review, the leasing expenses amounted to TEUR 361. The leasing rate for the following financial year of TEUR 363 is payable in advance monthly installments of TEUR 30 each. The 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.

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

Additionally, a further tenancy agreement was concluded "at arms length" with Langer & Partner GbR 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 currently amounts to TEUR 74 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 of being required to take a cut in annual salary or of being dismissed from the management board as the member responsible for Technology, he will be paid a profit-related license fee with a minimum amount of approx. EUR 1 million.

Exclusive license agreement of November 1998
PD 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.

Company notifications pursuant to Art. 25 Para. 1 WpHG (Securities Trading Act)

12 January 2004: In correction of the notification of 18 December 2003, Essential Wagniskapital GmbH & Co. KGaA notified us on 7 January 2004 pursuant to Art. 21 Para. 1 and Art. 22 Para. 1 WpHG as follows:
The voting rights share of Essential Wagniskapital GmbH & Co. KGaA, Blätteräcker 14, 74523 Schwäbisch Hall (formerly Glasauer Wagniskapital KGaA) in november AG fell below the threshold of 10% on 11 December 2003 and now amounts to 8.73%. Essential Wagniskapital GmbH & Co. KGaA has also informed us on behalf of Essential Invest GmbH & Co. KGaA that the voting rights share of Essential Invest GmbH & Co. KGaA, Blätteräcker 14, 74523 Schwäbisch Hall, in november AG exceeded the thresholds of 5% and 10% on 11 December 2003 and amounted to 10.93%. Of this, 8.73% was imputable to it pursuant to Art. 22 Para. 1 No. 1 WpHG. Essential Wagniskapital GmbH & Co. KGaA also informed us on behalf of Essential Management GmbH, Blätteräcker 14, 74523 Schwäbisch Hall, that the latter’s voting rights share in november AG exceeded the thresholds of 5% and 10% on 11 December 2003 and amounted to 10.93%. This voting rights share is imputable to Essential Management GmbH pursuant to Art. § 22 Para. 1 No. 1 WpHG.

16 January 2004: Essential Wagniskapital GmbH & Co. KGaA, Blätteräcker 14, 74523 Schwäbisch-Hall, notified us pursuant to Art. 21 Para. 1 and Art. 22 Para. 1 WpHG on 15 January 2004 on behalf of Essential Invest GmbH & Co. KG, that the share of voting rights of Essential Invest GmbH & Co. KGaA, Blätteräcker 14, 74523 Schwäbisch Hall, in november AG fell below the threshold of 10% on 8 January 2004 and amounted to 9.91%. Of this, 7.97% was imputable to it pursuant to Art. 22 Para. 1 Sentence 1 No. 1 WpHG. Essential Wagniskapital GmbH & Co. KGaA also notified us on 15 January 2004 on behalf of Essential Management GmbH, Blätteräcker 14, 74523 Schwäbisch Hall, that its share of voting rights in november AG fell below the threshold of 10% on 8 January 2004 and amounted to 9.91%. This voting rights share is imputable to Essential Management GmbH pursuant to Art. 22 Para. 1 Sentence 1 No. 1 WpHG.

16 December 2004: Jupiter Technologie GmbH & Co. KGaA, of Am Spitalbach 20, 74523 Schwäbisch Hall, notified november AG pursuant to Art. 21 Para. 1 and Art. 22 Para. 1 WpHG Securities Trading Act) on behalf of Essential Invest GmbH & Co. KGaA that the share of voting rights of Essential Invest GmbH & Co. KGaA, Am Spitalbach 20, 74523 Schwäbisch Hall, in november AG exceeded the threshold of 10% on 14 December 2004 and amounted to 10.31%. Of this, 9.91% were imputable to it pursuant to Art. 22 Para. 1 Sentence 1 No. 1 WpHG. Jupiter Technologie GmbH & Co. KGaA also notified us on behalf of Essential Management GmbH, Am Spitalbach 20, 74523 Schwäbisch Hall, that its share of voting rights in november AG exceeded the threshold of 10% on 14 December 2004 and amounted to 10.31%. This voting rights share is imputable to Essential Management GmbH pursuant to Art. 22 Para. 1 Sentence 1 No. 1 WpHG.

Information on the supervisory board and the management board

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

Management board

PD Dr. Wolf M. Bertling
Erlangen, chief executive officer
Essential Invest GmbH & Co. KGaA
Tiger Forst GmbH & Co. KGaA (Vorsitzender)
VCH Private Ventures GmbH & Co. KGaA

The total emoluments of the management board in the year 2004 amounted to TEUR 145 and were made up of fixed and variable components (previous year: TEUR 248; this figure also included the emoluments of the management board members who left the company in February and June 2003 respectively). Appropriate accruals were made for the variable emolument components, which will only be paid when the company reaches profitability (TEUR 18).

Supervisory board

The supervisory board consisted of the following persons on 31 December 2004:

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

Dr. Agnieszka Jankowska
Rheinfelden (Switzerland), deputy chairwoman
Business consultant
Pharma C, S.A., Frankreich

Mr. Günter Frankenne,
Berg, Business consultant
co.don AG
Fairvest AG (chairman)
IGENEON AG (chairman)

KEY NEUROTEK AG
LCG International AG (chairman)
QUINTIS GmbH (chairman of the advisory board)
XERION AG (chairman)

Mr. Horst Linn, Eschenfelden
Entrepreneur
ANTISENSE PHARMA GmbH
SiCrystal AG
S-ReFIT AG

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

Mr. Walter Schurmann, Kössen (Austria)
Lawyer and accountant
ELIA Tuning & Design AG (deputy chairman)
GUB Glasauer Swiss KoAG
Oberdorfer AG (chairman)
Renairgy AG (deputy chairman)

Changes to the supervisory board during the financial year 2004:
Prof. Dr. Dr. h.c. Karl Wilhelm Pohl, of Cologne, a member of the supervisory board of november AG since 31 December 2002 and its chairman, left the supervisory board on his own request on 20 July 2004. Dr. Agnieszka Jankowska was appointed to the supervisory board of november AG on 20 July 2004. At its meeting on 20 September 2004, the supervisory board elected Dr. Leo Steib as its chairman and Dr. Agnieszka Jankowska as its deputy chairwoman.

For the emoluments of the supervisory board in the financial year 2004, an accrual in an amount of TEUR 88 was formed (previous year: TEUR 88). Each of the supervisory board members receives emoluments in the same amount, with the exception of the chairman, who receives emoluments in the double amount.

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

Member	Shares held on 12/31/2004	Shares held on 12/31/2003
1. Management board		
Dr. Wolf M. Bertling	599,657	599,657
2. Supervisory board		
Dr. Leo Steib (chairman)	113,748	113,748
Dr. Agniezska Jankowska (deputy chairwoman) *	0	-
Günter Frankenne	90	90
Horst Linn	6,000	6,000
Dr. Werner J. Schönfeld	200	200
Walter Schurmann	1,641	1,641
Prof. Dr. Dr. h.c. Karl Wilhelm Pohl **	-	0

* Member of the supervisory board since 20.7.2004
** Chairman and member of the supervisory board up to 20.7.2004

Altogether, the members of the management board and the supervisory board hold 599,657 and 121,679 shares in the company respectively.

Erlangen, March 2005
Dr. Wolf M. Bertling

Statement of changes in assets of the group

for the financial year ended 31 December 2004

FIGURES IN EUR	ORIGINAL COSTS			
	01/01/2004	Addition	Disposal	12/31/2004
I. INTANGIBLE ASSETS				
Industrial property rights and similar rights, including licenses to such rights and assets	296,697	133,416	0	430,113
Goodwill	1,897,033	0	0	1,897,033
	2,193,730	**133,416**	**0**	**2,327,146**
II. PROPERTY, PLANT AND EQUIPMENT				
Buildings on land owned by others	1,002,430	24,324	0	1,026,754
Technical equipment and machinery	237,925	6,623	0	244,548
Other operational and office equipment	1,813,661	255,686	48,613	2,020,734
	3,054,016	**286,633**	**48,613**	**3,292,036**
III. INVESTMENTS				
Investments valued according to the equity method	1,632,000	0	0	1,632,000
Loans to undertakings in which the company holds a participating interest	143,646	0	0	143,646
Other investments	0	59,846	0	59,846
Other loans				
- long-term portion *)	1,717,725	1,003,764	0	2,721,489
- short-term portion **)	1,000,000	0	1,000,000	0
	4,493,371	**1,063,610**	**1,000,000**	**4,556,981**
Total	**9,741,117**	**1,483,659**	**1,048,613**	**10,176,163**

* The long-term portion of the "Other loans" is shown under the balance sheer item "Investments" ***(10)***.

** The short-term portion of the "Other loans" is shown under the balance sheet item "Other current assets" ***(5)***.

CUMULATIVE DEPRECIATION AND AMORTIZATION				BOOK VALUES	
01/01/2004	Addition	Disposal	12/31/2004	12/31/2004	12/31/2003
194,894	32,437	0	227,331	202,782	101,803
600,726	189,703	0	790,429	1,106,604	1,296,307
795,620	**222,140**	**0**	**1,017,760**	**1,309,386**	**1,398,110**
538,452	68,143	0	606,595	420,159	463,978
67,593	53,087	0	120,680	123,868	170,332
1,291,785	207,473	48,605	1,450,653	570,081	521,876
1,897,830	**328,703**	**48,605**	**2,177,928**	**1,114,108**	**1,156,186**
1,632,000	0	0	1,632,000	0	0
143,646	0	0	143,646	0	0
0	0	0	0	59,846	
25,900	0	0	25,900	2,695,589	1,691,825
0	0	0		0	1,000,000
1,801,546	**0**	**0**	**1,801,546**	**2,755,435**	**2,691,825**
4,494,996	**550,843**	**48,605**	**4,997,234**	**5,178,929**	**5,246,121**

Auditor's 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 Aktiengesellschaft, Erlangen, for the financial year from 1 January 2004 to 31 December 2004. The preparation and content of the consolidated financial statements are the responsibility of the company's management board. Our responsibility is to express an opinion, based on our audit, as to whether the consolidated financial statements comply with the International Financial Reporting Standards (IFRS).

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 misrepresentations.

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

We believe 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 Financial Reporting Standards (IFRS) 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 management board for the financial year from 1 January 2004 to 31 December 2004, did not give rise to any objections on our part. In our opinion, the consolidated management report and the additional information given in the consolidated financial statements provide 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 2004 to 31 December 2004 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.

Nuremberg, 17 March 2005

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Bömelburg	Morgenroth
Auditor	Auditor

Glossary

amino acid	Protein building block
antigenes	Substances foreign to the human body; cause the immune system to form **>> antibodies**
antibody	Protein that is produced by the immune system in response to exogenous proteins; detection of antibodies is used as a proof for successful vaccination
anticoagulation	Inhibits blood cotting
biotechnology	Use of living or dead organisms or biologically active parts of organisms in technological processes
cluster	Signal-enhancing metal particles on a submicroscopical scale. Show strong color change effect when incorporated into nanotechnological thin films. Basis for the **>> nano-optical seal**
cartridge	Cassette, in this context: Plug-in measuring device for one-time use within an appropriate analytic system for the analysis of **>> nucleic acids**
directif GmbH	Development of integrated systems for nucleic acid diagnosis at the **>> point-of-care**. Former division of november AG, spun off effective as of 31 December 2003
DNA	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 the **>> molecular fingerprint**. Illnesses can be diagnosed e.g. by the detection of pathogen specific **>> nucleic acids**
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
HIV	"Humane Immunodeficiency Virus", pathogen responsible for AIDS ("Acquired Immunodeficiency Syndrome")
identif GmbH	Development of solutions for product security and brand protection. Former division of november AG, spun off effective as of 31 December 2003
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 fingerprint	System for machine-readable marking and on-site authentication of goods or packaging using **>> DNA** as a biotechnological code **(>> identif GmbH)**
molecular medicine	Field of medicine that combines experimental medical research with the methods of **>> molecular biology**
nano-	International number prefix: 10^{-9}; one nanometer equals a millionth millimeter
nano-optical seal	System for visible and machine-readable marking of surfaces, either directly or by means of a label **(>> cluster, identif GmbH)**
nucleic acid	Carrier of genetic information. Changes at nucleic acid level can trigger illnesses **>> directif GmbH**
one-stop-shop	A company which provides everything from a single source; PEQLAB's products cover the entire spectrum of research needs in molecular biology
PCR	Polymerase chain reaction. Method for reproducing DNA
point-of-care (POC)	The place of treatment, e.g. hospitals, doctors' surgeries. For example: patient-near diagnostics with systems from **>> directif GmbH**
polyoma technology	Patented technique which uses artificially produced virus sheath for packaging active antigens; here specifically: packaging of tumour-specific protein fragments
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**
Real Time PCR	Laboratory technique for the quantitative detection of DNA, e.g. in food analysis (amount of genetically modified ingredients) or diagnostics (determination of virus load in blood samples)
recombinant	Obtained or produced by genetic engineering methods
responsif GmbH	Former Therapy division of november AG developing novel approaches to tumor **>> immunotherapy**. Management buy-out effective as of 1 January 2003.
SARS	"Severe Acute Respiratory Syndrome", serious respiratory illness caused by a virus. First time detection in November 2002 in China
Smart Card	Customer, bank or phone cards equipped with an intelligent computer chip

Boards and officers

Management board

PD Dr. Wolf M. Bertling, Erlangen

Founder and CEO

Management

Alexander G. Offer, Director Finance, CFO

Astrid Dickert, Director Controlling

Supervisory board

Dr. med. Leo Steib, Erlangen
Chairman of the supervisory board
Physician and biologist

Dr. Agnieszka Jankowska, Rheinfelden (Switzerland)
Deputy chairwoman
Business consultant

Günter Frankenne, Berg
Business consultant

Horst Linn, Eschenfelden
Entrepreneur

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

Walter Schurmann, Kössen (Austria)
Lawyer and accountant

Substitute members

Dr. Hartwig Ingwersen, Erlangen

Dr. Peter Kaut, Munich

Dr. Albert Scheller, Bad Heilbrunn

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Corporate calendar

31 March 2005	Press conference on financial results 2004 and analysts' conference	Frankfurt/Main
11 May 2005	Release of first quarter report 2005	
3 June 2005	9th Annual general meeting	Erlangen
10 August 2005	Release of second quarter report/ six-months-statement 2005	
8 November 2005	Release of third quarter report/ nine-months-statement 2005	

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