

***Interim Report***

***FOR THE FIRST QUARTER  
OF THE FINANCIAL YEAR 2004***

***(1 January 2004 to March 31 2004)***

## *Letter to shareholders*

Dear shareholders.

Since our last interim report in fall 2003, we have further optimized the november Group structure. At the end of the year, we have spun off our two former divisions “product security / brand protection” (identif) and “diagnosis” (directif) into wholly owned subsidiaries. Now, under the strategic leadership of the parent company, the advantages of the new structure will be transformed into development and marketing successes. The clear-cut technological profile of the subsidiaries significantly improves their position within the market and hence facilitates the entry of technology-focused partners that will be able to support the future growth strategy.

Existing customers were transferred seamlessly to the new companies. This demonstrates and confirms their support for the new structure. Moreover, Bristol-Myers Squibb (Germany) even decided to expand their contract and label their complete anti-HIV drug portfolio with identif’s DNA codes. Until then, certain anti-cancer drugs have already been labeled. This highlights the current broadening of our customer basis. The current marketing offensive should lead to a significant revenue increase and is supported by promising product presentations on national and international trade fairs and conferences.

The favorable **revenue increase by 20 percent to EUR 1.142 million** for the first quarter (previous year’s period: TEUR 954) shows that we are successfully intensifying our marketing activities. This led to an increase in costs of sales amounting to TEUR 572 (previous year’s period: TEUR 451) which is fully within plan. At the same time, **research and development expenses were significantly reduced by 16 percent** and totaled TEUR 737 (previous year’s period: TEUR 882). This reflects the increased maturity and market readiness of our products. The already sound liquidity was further improved by the successful capital increase of December 2003 that led to a gross inflow of funds of EUR 3.35 million. These additional funds will be predominantly used for enforcing and accelerating our marketing activities. At the end of the first quarter, **group total liquidity amounted to EUR 11.407 million** (previous year: EUR 13.089 million). First quarter’s **consolidated operating result (EBIT)** of EUR -1.273 million **remained almost unchanged** compared to previous year’s figure (EUR -1.275 million). The net earnings per share (EPS according to DVFA/SG) were improved to EUR -0.11 (previous year: EUR -0.12).

## *Development of subsidiaries and report on important relations*

Effective as of 31 December 2003, november AG has spun off its former business divisions “product security / brand protection” (identif Technologies) and “diagnosis” (directif Diagnostic Solutions) into two wholly-owned subsidiaries. The managing directors of the new companies were project managers of the relevant divisions at the time of spin-off. november AG thus becomes a holding. While the parent company will still be responsible for strategic development and provides central services, the subsidiaries are enabled to position themselves in the market as technology leaders with a clear-cut profile.

## *identif GmbH*

The subsidiary *identif GmbH* focuses on the development of new methods that **protect against product piracy or diversion**.

### DNA codes (*brandprotection*)

*brandprotection* is the brand name under which *identif GmbH* is commercializing forgery-proof product security codes on the basis of synthetic nucleic acids. The patented system takes advantage of the high information storage capacity of DNA. For the first time ever, authenticity of goods can be **verified anywhere anytime using a hand-held DNA code reader**. As the marking can not be detected with the bare eye, it is called a “covert” feature in security business terms.

DNA codes can be applied as a **sticky label** - a very efficient way to protect against fraudulent substitution - or be printed **directly** on the packaging using current industrial printing solutions. Within the first quarter, the development of a direct printing solution has been successfully completed which is comparable to an inkjet computer printer.

The March 2004 decision of **Bristol-Myers Squibb** (Germany) to apply *identif GmbH*'s DNA codes to **all their anti-HIV drugs** is a very promising marketing success. After the completion of a pilot study in the field of anti-cancer drugs this is a clear sign of market acceptance for our products. The intensified customer acquisition in the pharmaceutical industry is supported by **numerous presentations**, e.g. at the “Bundesverband der Pharmazeutischen Industrie (BPI)”, the “Aktionskreis Deutsche Wirtschaft gegen Produkt- und Markenpiraterie e.V. (APM)”, as well as at industrial **trade fairs** like “Technopharm”.

### nanotechnological cluster codes (*brandsealing*)

For the labeling of a broad variety of surfaces, for instance **industrial spare parts, chip cards, or banknotes**, *identif* offers cluster codes based on extremely stable ultra-thin layers, which show highly specific **color effects**. These spectral codes offer fast and easy **machine readability** and guarantee highest **counterfeit protection** – a combination which holograms or comparable features can not compete with. Displaying bright colors, this is called an “overt” feature in technical terms. Like for *brandprotection*, an extensive *identif* product line has been established on the basis of these patented spectral codes with the support of a broad range of cooperations.

One example is the development of a **direct labeling** technology for SmartCard **chip modules** with Infineon Technologies AG. Until today, such “intelligent” cards can be identified by the integrated golden chip. In the future, the chip module area can be labeled with the company logo of the issuer, for example, be it a bank or insurance company. This is not only a marketing tool but also adds a new security feature whose code can be read in the split of a second. At the moment, the transfer of the technology into production scale for various applications is in preparation. Similarly, e.g. original automotive spare parts can be labeled in order to protect consumers from poor quality goods as well as protect the manufacturer from diversion and at the same time improving his position against product liability claims.

Moreover, due to its unique color scale *brandsealing* also has a broad range of application as an optically attractive, machine-readable feature for sticky labels, technical foils or direct labeling. This is why contacts to customers within the **watch and jewelry industry** were

enforced and extended. In the **automotive and aviation sector**, too, the adaptation of the technology to specific customer needs was started.

The market launch of novel **security threads for banknotes** develops very promising. According to our partner and licensee Hueck Folien, customer qualification for banknote paper has already been started. Hueck expects to win first customers already in 2004 and will also be presenting this very special new banknote security feature this May in Rome, Italy, at the international "Currency Conference".

Since the first quarter of 2004, identif GmbH is selling so-called **starter kits** to speed up market penetration especially at **small and medium sized enterprises**. Containing either DNA or cluster codes plus readers, these kits enable even small companies to protect their products without the need for long adaptation or preparatory work.

### *directif GmbH*

Together with **Siemens Medical Solutions** directif GmbH develops the world's first fully automated system for **near-patient nucleic acid testing**. In a highly effective manner, pathogens and genetic predispositions are selectively identified by specific gene fragments. Compared to standard analytic techniques, this allows a much earlier and more accurate diagnosis. Apart from viral and bacterial pathogens, gene sequences that are crucial for drug action may be detected as well. If they are present, a drug may fail to help. This knowledge will help to avoid strenuous medication attempts that are certain to fail due to the patient's genetic variation. This kind of personalized medicine will become more and more important in the future. Besides helping to choose the right therapy, nucleic acid testing can also be used for therapeutic monitoring. In the field of environmental and food analysis, it is possible with the aid of nucleic acid analysis to detect minimal bacterial contamination or, for instance, the use of genetically modified raw materials or food.

To this end, the individual steps which are today necessary to carry out a diagnosis are all integrated in a single plastic cartridge thus miniaturizing a **full-scale laboratory** to the **area of a credit card**. By choosing the appropriate cartridge, a broad range of diagnostic problems can be solved. The analysis itself is carried out **fully automatically** with the help of a so-called analyzer. This control unit has the size of a desktop laser printer. Unlike with competing methods, no costly laboratory infrastructure is needed. Moreover, because of the automatic mode, the directif system requires no specifically trained medical personnel (except for legal reasons). **Net operating time is reduced to a few minutes**. Instead of having to wait for days, the results can now be obtained after only two hours. This does not only significantly **reduce costs** but also puts diagnosis back in the hands of the doctor in whom you trust, so **improving the treatment of the patient**.

Already at the end of last year, important partners had been won. Firstly by expanding the existing R&D cooperation with **Siemens Medical Solutions** into a full **strategic partnership** including the option for a future participation. Completed in the first quarter, a **very positive expert opinion** has again confirmed the value and robustness of directif's industrial property rights position. Secondly, **Wilden AG**, Regensburg (Germany), one of the leading manufacturers in the field of precision plastic components for medical applications, was chosen as **production partner** for the cartridge. Wilden will undertake the optimization of the cartridge prototypes to the production needs of cost-effective mass production.

## *PEQLAB Biotechnologie GmbH*

Our subsidiary PEQLAB Biotechnologie GmbH has experienced a successful first quarter of 2004. PEQLAB, in which november AG has held a majority share since December 2000, is a **one-stop shop for molecular biology**. The company supplies innovative reagents and laboratory equipment, including some products developed and produced in-house. Additionally, together with another partner, it provides services for basic research in molecular biology. The customers include in particular academic research institutes and biotech companies.

**Since 2002**, the company generates a **net profit**. In the first quarter of 2004 it was able to **increase its revenue by 12 percent** as compared to previous year's period. This is a very good result considering the still difficult market conditions for laboratory supplies. As announced, a stronger orientation toward international markets was achieved. The **export ratio** of revenues was **more than doubled** and currently **amounts to 13%**.

## *responsif GmbH*

Effective as of 1 January 2003, responsif GmbH was spun-off from november AG to a separate company under a management buy-out with the former project manager becoming its managing director. november AG holds options to business shares as well as special profit share rights. As a result, the financial interests of the november shareholders are fully safeguarded despite the management buy-out. To underline this, responsif GmbH continues to voluntarily report all relevant progress to november AG.

The basis for the **cancer therapy** initially developed at november AG and now being further developed by responsif GmbH is the specific **stimulation of an individual's immune system** against tumor cells. The aim is to trigger a specific immune response against **specifically labeled dead tumor cells**, enabling remaining viable tumor cells and metastases to be detected and eliminated by the immune system with little to none side effects. The first illness this will be used for will be **renal cell carcinomas**. According to the German Cancer Research Center Heidelberg, each year 11,000 patients in Germany are diagnosed with renal cell carcinoma – with numbers increasing each year.

According to responsif, the preclinical trials for this kind of tumor were completed as scheduled. The preparations for a first clinical feasibility study are now under way. The **study**, which has already been approved by the Ethics Commission is expected to **begin in the first half year of 2004**.

Apart from the progress in development, responsif has intensified its search for investors. To this end, responsif also participated at business plan competitions. These competitions are prime opportunities to have business concepts evaluated by experienced investors and managers. After already being awarded for excellence in the first round within the scope of the Northern Bavarian Business Plan Competition, responsif also finished as TOP 10 in the second round at the end of April.

## *november shares*

In November 2003, the price for november AG's shares reached its 52-week-high at EUR 9.30 (Xetra closing price) after announcing a strategic partnership with Siemens Medical Solutions.

The **share price** therefore **more than quadrupled between spring 2003 and the end of the year**.

We are not satisfied with the development of the share price during spring 2004. As demonstrated by the figures in this interim report, there is **no company based reason** that may justify the **decline in share price**.

**Change of designated sponsor** at the beginning of April: Because of being listed in the Prime Standard segment of the Frankfurt Stock Exchange, november AG is obliged to have a so-called designated sponsor. A designated sponsor ensures sufficient liquidity in the stock. We declined the option to extend the designated sponsor contract with Bayerische Landesbank which dated back to the IPO in April, 2000. While we are still at good business terms with Bayerische Landesbank, **Concord Effekten AG**, Frankfurt (Germany), became our new designated sponsor starting April 1, 2004. Concord has successfully carried out the capital increase in December 2003 and has also prepared a first comprehensive analyst's report on november AG. An **update** was published at the beginning of May, indicating a **fair value** of EUR 7.20 for the november AG share.

## Outlook

The marketing opportunities for the products of november AG and its subsidiaries have further improved. In some markets, recent developments offer even more support. For example, the Food and Drug Administration in the USA has announced their strong commitment to introduce individual, permanently secure and machine-readable labeling systems for the US pharma market. When evaluating Bristol-Myers Squibb's decision to label its anti-HIV drugs with identifi's DNA codes, one has to bear in mind that mandatory US pharma labeling will also effect the European market. **Negotiations with other pharma companies are in a later stage**. In the field of **banknote security**, we expect our licensee Hueck Folien GmbH to win **customers** for securing currencies during the financial year **2004**.

For directif GmbH, besides **continuing improvement** of the cartridge and analyzer **prototypes**, the **extension of the application spectrum** to include viral and bacterial pathogens and the **transfer to series production** are the main aims for the present year. With further progress, directif will receive **milestone payments by Siemens Medical Solutions**. Market launch for the innovative diagnostic system is scheduled for 2005.

On a year-on-year basis, our subsidiary **PEQLAB Biotechnologie GmbH** is aiming for **positive net earnings** again with a **revenue growth in 2004 of more than 10 percent**. To achieve this despite the still difficult market conditions, PEQLAB is planning to **expand its product range**, further **improve the export ratio** and further **strengthen its sales team** in the second half of the year.

As already reported, **responsif GmbH**, the company which was separated from november Group by a management buy-out, plans to **start clinical evaluation** of its immunotherapeutic cancer treatment **until mid 2004**. The company will also increase its contract research activities and aims to enter into **new strategic and financial partnerships** to secure the success of its business model in the future, too.

## The management

## *Important figures of november AG*

<b>figures in TEUR</b>	<b>01/01/2004 to 03/31/2004</b>	<b>01/01/2003 to 03/31/2003</b>
Revenues	1,142	954
Research and development	737	882
Operating income (EBIT)	-1,273	-1,275
Balance sheet total	27,888	27,583
Overall liquidity	11,407	13,089
Average number of employees (adjusted to FTE; not including employees in minority participations)	61	64

november AG is operating in very fast and newly evolving markets. For this reason, the company decided not to publish any biotech industry figures due to a lack of comparability and reliability.

*Consolidated balance sheet on 31 March 2004 (IFRS)  
 november AG, Erlangen  
 Gesellschaft für Molekulare Medizin*

**Assets**

	Quarterly Report 03/31/2004 EUR	Annual Report 12/31/2003 TEUR	Change in %
<i>Current Assets</i>			
Cash and cash equivalents	10,368,212	11,456	-9
Short-term investments / marketable securities	39,052	39	0
Trade accounts receivable	440,612	437	1
Inventories	869,483	792	10
Other current assets	1,181,703	1,327	-11
Prepaid expenses	67,644	35	93
<b>Total current assets</b>	<b>12,966,706</b>	<b>14,086</b>	<b>-8</b>
<i>Non-current assets</i>			
Property, plant and equipment	1,109,151	1,156	-4
Intangible assets	93,117	102	-9
Goodwill	1,248,881	1,296	-4
Investments	1,692,766	1,692	0
Deferred taxes	10,777,359	10,314	4
<b>Total non-current assets</b>	<b>14,921,274</b>	<b>14,560</b>	<b>2</b>
<b>Total assets</b>	<b>27,887,980</b>	<b>28,646</b>	<b>-3</b>



*Consolidated balance sheet on 31 March 2004 (IFRS)  
 november AG, Erlangen  
 Gesellschaft für Molekulare Medizin*

**Liabilities and shareholders' equity**

	Quarterly Report 03/31/2004 EUR	Annual Report 12/31/2003 TEUR	Change in %
<i>Current liabilities</i>			
Trade accounts payable	305,122	388	-21
Advance payments received		14	-100
Current portion of amounts owed to banks	142,028	129	10
Other current liabilities	205,066	212	-3
Accrued expenses	960,675	794	21
<b>Total current liabilities</b>	<b>1,612,891</b>	<b>1,537</b>	5
<i>Non-current liabilities</i>			
Long-term loans	389,851	437	-11
<b>Total non-current liabilities</b>	<b>389,851</b>	<b>437</b>	-11
Minority interests	<b>166,304</b>	<b>156</b>	7
<i>Shareholders' equity</i>			
Subscribed capital	7,468,320	7,468	0
Additional paid-in capital	43,243,809	43,244	0
Accumulated deficit	-24,993,195	-24,196	3
<b>Total shareholders' equity</b>	<b>25,718,934</b>	<b>26,516</b>	-3
<b>Total liabilities and shareholders' equity</b>	<b>27,887,980</b>	<b>28,646</b>	-3

*Consolidated income statement (IFRS)*  
*1 January to 31 March 2004*  
*november AG, Erlangen*  
*Gesellschaft für Molekulare Medizin*

	3 Months Report 01/01 to 03/31/2004 EUR	3 Months Report 01/01 to 03/31/2003 TEUR	Change in %
Revenues	1,142,333	954	20
Cost of revenues	617,798	554	12
<b>Gross profit</b>	<b>524,535</b>	<b>400</b>	<b>31</b>
Selling and marketing expenses	572,378	451	27
Research and development expenses	737,009	882	-16
General and administrative expenses	461,793	378	22
Other operating expenses	111,132	318	-65
Other operating income	131,893	401	-67
Amortization of goodwill	47,426	47	1
<b>Operating income / loss</b>	<b>-1,273,310</b>	<b>-1,275</b>	<b>0</b>
Interest income and expenses	46,927	52	-10
Other income / expenses	-17,500	-74	-76
<b>Financial result</b>	<b>29,427</b>	<b>-22</b>	<b>-234</b>
<b>Result before taxes (and minority interests)</b>	<b>-1,243,883</b>	<b>-1,297</b>	<b>-4</b>
Income tax			
a.) Tax expenses	6,931		
b.) Income from deferred tax	463,829	475	-2
<b>Result before minority interests</b>	<b>-786,985</b>	<b>-822</b>	<b>-4</b>
Minority interests	-9,887	-6	65
<b>Consolidated net loss</b>	<b>-796,872</b>	<b>-828</b>	<b>-4</b>
Net income per share in EUR			
Undiluted net income per share (EPS)	-0.11	-0.12	
Undiluted net DVFA/SG income per share	-0.11	-0.12	
Weighted average shares outstanding (undiluted)	7,468,320	6,811,200	

**Cash flow statement (IFRS)**  
**1 January to 31 March 2004**  
 november AG, Erlangen  
 Gesellschaft für Molekulare Medizin

	01/01 to 03/31/2004	01/01 to 03/31/2003
	EUR	TEUR
<b>Cash flow from operating activities:</b>		
Consolidated net loss	-796,872	-828
<i>Adjustments for:</i>		
Minority interests	9,887	6
Depreciation and amortization	140,453	145
Income from change in deferred taxes	-463,829	-475
<i>Change in net working capital:</i>		
Decrease in inventories, trade accounts receivable and other assets (previous year: increase)	31,476	-841
Increase in trade accounts payable and other liabilities (previous year: decrease)	63,899	-1,109
Net cash used in operating activities	<u>-1,014,986</u>	<u>-3,102</u>
<b>Cash flow from investing activities:</b>		
Purchase of property, plant and equipment	-37,306	-43
Proceeds from the sale of assets	0	444
Proceeds from investments	-941	-1
Net cash from investing activities	<u>-38,247</u>	<u>400</u>
<b>Cash flow from financing activities</b>		
Disbursements for the repayment of loans	-34,568	-54
Disbursements for the redemption of bonds	0	-14
Net cash used in financing activities	<u>-34,568</u>	<u>-68</u>
Decrease in cash and cash equivalents	-1,087,801	-2,770
Cash and cash equivalents at the beginning of period	11,495,065	6,859
Cash and cash equivalents at the end of period *)	<u>10,407,264</u>	<u>4,089</u>

\*) The total liquidity per 31 March 2004 amounts to TEUR 11,407 (31 December 2003: TEUR 12,495). It is composed of the balance sheet positions "Cash and cash equivalents", "marketable securities" and a borrower's note (TEUR 1,000). The borrower's note is due for repayment within the next year and is shown under the position "Other current assets".

*Change in shareholders' equity  
for the period 1 January to 31 March 2004*

The changes in equity are shown in the following table  
(figures in TEUR)

	<b>Subscribed capital</b>	<b>Additional paid-in capital</b>	<b>Accumulated deficit</b>	<b>Total shareholders' equity</b>
<b>31 December 2003</b>	<b>7,468</b>	<b>43,244</b>	<b>-24,196</b>	<b>26,516</b>
Result-affecting changes in equity:				
-Consolidated net loss 01/01 to 03/31/2004			-797	-797
<b>31 March 2004</b>	<b>7,468</b>	<b>43,244</b>	<b>24,993</b>	<b>25,719</b>

*Change in shareholders' equity  
for the corresponding period of the previous year from  
1 January to 31 March 2003*

	<b>Subscribed capital</b>	<b>Additional paid-in capital</b>	<b>Accumulated deficit</b>	<b>Total shareholders' equity</b>
<b>31 December 2002</b>	<b>6,811</b>	<b>40,690</b>	<b>-21,379</b>	<b>26,122</b>
Result-affecting changes in equity:				
-Consolidated net loss 01/01 to 03/31/2003			-828	-828
<b>31 March 2003</b>	<b>6,811</b>	<b>40,690</b>	<b>-22,207</b>	<b>25,294</b>

## *Explanatory notes*

### *General explanations / changes in consolidated companies*

The accounting and valuation methods were continued in accordance to the IFRS consolidated financial statements per 31 December 2003. There were no relevant changes compared to the notes of the consolidated financial statements mentioned above. Effective as of 31 December 2003, the former business units identif Technologies and directif Diagnostic Solutions have been spun off to wholly owned subsidiaries (identif GmbH, directif GmbH). Like PEQLAB Biotechnologie GmbH, they are fully included in the consolidated financial statements of november AG.

### *Balance sheet development and total liquidity*

The balance sheet total per 31 March 2004 amounted to TEUR 27,888 and was reduced by TEUR 758 in comparison to 31 December 2003.

In the reporting period of 1 January to 31 March 2004, the november Group invested about TEUR 37 (previous year's period: TEUR 20) into property, plant and equipment.

**Total liquidity** of the november Group amounted to **11.4 million EUR** at the end of the first quarter of 2004 (12/31/2003: 12.5 million EUR). This is **equivalent to 41 % of the balance sheet total**. At the cut-off-date, it consists of the balance sheet item "cash and cash equivalents", "short-term investments/marketable securities" and a borrower's note, which is included in the position "other current assets" and is due within the next year.

The position "trade accounts receivable" amounts to TEUR 441 at 03/31/2004 (12/31/2003: TEUR 437) and mainly consists of receivables regarding PEQLAB Biotechnologie GmbH customers.

The position "inventories" increased during the first three months of 2004 by TEUR 77 to TEUR 869 due to increased stock at PEQLAB Biotechnologie GmbH.

The decrease in the position "other current assets" from TEUR 1,327 on 12/31/2003 to TEUR 1,182 on 03/31/2004 is mainly due to settled receivables regarding tax refunds.

As in the previous year, the balance sheet position "investments" includes a loan of TEUR 1,650 to responsif GmbH.

In accordance to the relevant IFRS standards, the deferred tax assets were increased to TEUR 10,777 (12/31/2003: TEUR 10,314). The calculation is based on a corporate tax rate of 38 percent, as well as the assumption that the deferred tax loss carried-forward will be utilized as planned in the future. A change in corporate taxation might require an adjustment of this position at a later point in time.

During the reporting period, the total amount of current and financial liabilities was reduced by TEUR 138 to TEUR 1,042. Compared to 12/31/2003, the accrued expenses were increased by TEUR 167 to TEUR 961.

The shareholders' equity of the november Group was reduced by the full amount of the net loss of the reporting period of TEUR 797 to TEUR 25,719. As of 03/31/2004, the **equity ratio** of the november Group amounts to **92% of the balance sheet total**.

Based on the Xetra closing price of 03/31/2004 (EUR 6.35), the company's **market capitalization** totaled **EUR 47.4 million**.

### *Research and development expenses, other operating expenses*

In the first quarter of 2004, research and development expenses were reduced by TEUR 145 or 16 % to TEUR 737 compared to previous year's period (TEUR 882). The reduction can mainly be attributed to identif GmbH's products being more mature and closer to the market compared to last year. R&D expenditures for each subsidiary are as follows:

figures in TEUR	identif GmbH	directif GmbH	Total
01/01 to 03/31/2004	255	482	737
01/01 to 03/31/2003	399	483	882

The research and development expenses are essentially made up of personnel expenses, cost of materials, expenses for outside services, as well as depreciation on R&D equipment.

In the reporting period, selling and marketing expenses increased by 27% to TEUR 572 (previous year's period: TEUR 451) and pertain to the PEQLAB Biotechnologie GmbH and identif GmbH operations.

On 03/31/2004, general administrative expenses totaled TEUR 462 (previous year: TEUR 378). Apart from a rise in accrued expenses, this increase is also due to a change in allocation of personnel expenses to functional levels within the wholly owned subsidiaries.

The position "other operating expenses" (TEUR 111, previous year's period: TEUR 318) includes, among others, TEUR 73 which incurred in association with services that were charged to responsif GmbH's account.

The "other operating income" of the reporting period amounted to TEUR 132 (previous year's period: TEUR 401) and mainly consisted of billed services provided to responsif GmbH as well as grants received from public bodies.

All equity related expenses including costs for stock market listing and designated sponsoring are displayed under the position of "other expenses" within the financial result and amounted to TEUR 17 (previous year's period: TEUR 74).

## Operating result and net income for the reporting period

For the period of 01/01/2004 to 03/31/2004 the consolidated operating result amounted to TEUR -1,273 (previous year's period: TEUR -1,275). The consolidated net result including financial and tax result as well as minority interests was improved by 4 % to TEUR -797 in comparison to previous year's period (TEUR -828). The accumulated deficit per 03/31/2004 increased by the full amount of the consolidated net loss to TEUR -24,993 (12/31/2003: TEUR -24,196). At the end of the first quarter of 2004, the undiluted income per share (EPS and DVFA/SG) is EUR -0.11 (previous year's period: EUR -0.12).

## Segmental Report

figures in TEUR	identif GmbH	directif GmbH	PEQLAB Biotechn. GmbH	november AG Holding	Group
Revenues and other operating income 03/31/2004	77	17	1,094	86	1,274
03/31/2003	3	74	975	303	1,355
Operating result 03/31/2004	-356	-551	33	-399	-1,273
03/31/2003	-501	-409	23	-388	-1,275

The segment "november AG Holding" includes all income/expenses of the parent company as well as positions connected to the consolidation.

The Group revenues within the first three months of the current financial year were for the most part generated by the subsidiary PEQLAB Biotechnologie GmbH. They are subdivided by region in the following table:

figures in TEUR	01/01 to 03/31/2004	01/01 to 03/31/2003
Domestic	1,002	904
EU	62	18
Rest of World	78	32
Total	1,142	954

*Number of shares and rights to shares of november AG held by members of the management and supervisory boards as well as changes concerning related parties*

<b>Board member</b>	<b>Shares held on 03/31/2004</b>	<b>Shares held on 12/31/2003</b>
<u>1. Executive Board</u>		
Dr. Wolf M. Bertling	599,657	599,657
<u>2. Supervisory Board</u>		
Prof. Dr. Dr. h.c. Karl Wilhelm Pohl (Chairman)	-	-
Dr. Leo Steib (Deputy chairman)	113,748	113,748
Günter Frankenne	90	90
Horst Linn	6,000	6,000
Dr. Werner J. Schönfeld	200	200
Walter Schurmann	1,641	1,641

The members of the executive board hold a total of 599,657, the members of the supervisory board hold a total of 121,679 of the company's shares.

As of 03/31/2004, the executive board member has not exercised his right to acquire convertible bonds of the company.

The company itself does not hold own shares.



## *Our employees*

On average, 61 employees (recalculated to full-time terms) worked within the november Group throughout the reporting period from 1 January 2004 to 31 March 2004 (previous year's period: 64 employees). This only includes employees working in companies that were fully consolidated.

## *Business development during the first three months of the year 2004*

Effective as of 31 December 2003, the november Group has spun-off its former business units "product security / brand protection" and "diagnosis" into **wholly owned subsidiaries**. The november Group, now a **holding**, firmly believes that due to the subsidiaries' clear-cut profile toward the market the access to national and international customers and partners will be significantly facilitated.

Already within the first quarter of 2004, the subsidiary **identif GmbH** was able to close further important contracts, one of them with **Bristol-Myers Squibb (Germany)**: The pharma company is going to label all HIV drugs with identif DNA codes. This is a significant extension of the customer relationship with Bristol-Myers Squibb that dates back to 2002 and indicates the high and long-term customer benefits of the identif technologies. In the first three months, too, our subsidiary **directif GmbH** has continued to improve the interoperation between the two components for the innovative diagnostic system. This will also continue in the next quarters. An important **milestone** within the strategic partnership with Siemens Medical Solutions was accomplished: An expert opinion confirmed the significance of the industrial property rights held by november/directif and granted the "**freedom to operate**". This means that no substantial competitive patents exist that may hamper future development.

In previous years, november AG had closed a license agreement with Swedish Medirox AB that covered novel products for monitoring the blood coagulation status. In order to facilitate the marketing of these products, the agreement was discontinued with mutual consent within the scope of november's **22,4 percent** participation at the founding of the Swedish biotech and pharmaceutical company **Zafena AB**. Future development of the products will be carried out by Zafena while the company also develops innovative products for the stabilization or blood preparations. Through the participation, november gains access to the markets blood banks, blood preparations and blood analysis. Synergies thus exist predominantly for diagnostics and therapy.

Most of the Group revenues amounting to TEUR 1,142 in the reporting period were generated by **PEQLAB Biotechnologie GmbH**. Our subsidiary was able to **increase its revenues by 12%** and, like in the previous year, is operating **cash positive**. We expect that future quarters' revenue increase will be in the same range.

In the reporting period, the Group's total liquidity decreased by TEUR 1,088 to TEUR 11.407.

During the first three months of the current financial year, net earnings per share (EPS and DVFA/SG) improved to EUR -0.11 in comparison to previous year's net earnings per share (EUR -0.12). We don't expect any extraordinary risks for the ongoing fiscal year.

## Auditor's Report

*For november AG, Gesellschaft für Molekulare Medizin*

Having been so engaged, we have conducted a review of the interim consolidated report for the period of 1 January to 31 March 2004 (consisting of the consolidated balance sheet, the consolidated profit and loss statement, the consolidated equity capital development, the consolidated cash flow statement and explanatory comments in the notes to the consolidated financial statements). The preparation of the consolidated interim report in accordance with the International Financial Reporting Standards (IFRS) and the German provisions of the law concerning stock exchange activities is the responsibility of the company's legal representatives. Our responsibility is to render an opinion on the consolidated interim report on the basis of our review.

We have conducted our review of the consolidated interim report in accordance with those principles applicable to the auditing of financial statements which are prepared by the Institute of Public Accountants ("IDW"). According to these principles, the audit is to be planned and conducted in a manner which enables us to rule out, with a certain degree of assurance, the possibility that the consolidated interim report has not, in material aspects, been prepared in conformity with the International Financial Reporting Standards and the supplementary German provisions of the law concerning stock exchange activities, or that it does not present a true and fair view of the company's assets, liabilities, financial position and profit or loss position.

A review of this type is primarily limited to interviewing employees and to analytical assessments, and thus does not ensure the level of certainty attained in the context of an audit of the company's annual financial statements. As we have not been engaged to conduct an official audit of the company's financial statements, we are not in a position to issue an official auditor's certificate.

During our audit we have not found any indication or events which might lead to the assumption that the consolidated interim report are in material aspects - not in compliance with the International Financial Reporting Standards and the supplementary German provisions of the law concerning stock exchange activities, or that it does not present a true and fair view of the company's assets, liabilities, financial position and profit or loss position.

Nürnberg, 10 May 2004

Rödl & Partner GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Dr. Bömelburg  
Auditor

Morgenroth  
Auditor

## Glossary

<b>identif GmbH</b>	Development of solutions for product security and brand protection. Former division of november AG, spun off effective as of 31 December 2003 (wholly owned subsidiary).
<b>directif GmbH</b>	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 (wholly owned subsidiary).
<b>responsif GmbH</b>	Former Therapy division of november AG developing novel approaches to tumor immunotherapy . Management buy-out effective as of 1 January 2003.
<b><i>brandprotection</i></b>	System for machine-readable labeling and on-site identification of goods or packaging based on →DNA as a biotechnological code
<b><i>brandsealing</i></b>	Cluster-based system for optical and machine-readable marking of surfaces, either directly or via labels
<b>Cluster</b>	Signal-enhancing metal particles on a submicroscopical scale. Show strong color effect when incorporated into nanotechnological thin films. Basis for → <i>brandsealing</i>
<b>DNA</b>	Deoxyribonucleic acid. Chain-like molecule on the basis of four different building blocks. In nature carrier of genetic information with high storage capacity. Synthetic DNA molecules are the basis of the → <i>brandprotection</i> product codes. Pathogen-specific DNA fragments are detected with the directif diagnostic system.
<b>Nucleic acid</b>	Carrier of the genetic information. Diseases can be related to changes on the nucleic acid level (→directif GmbH)
<b>Point-of-Care (POC)</b>	E.g. hospitals, surgeries. One example: near-patient diagnostic systems from →directif GmbH

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