

## ***Interim Report***

***FOR THE FIRST QUARTER  
OF THE FINANCIAL YEAR 2005***

***(1 January 2005 to 31 March 2005)***

## Letter to shareholders

Dear shareholders,

november AG is for the first time able to post a **net consolidated income** in its quarterly results. This amounts to EUR 0.08 million for the first quarter of 2005 and represents a **110% improvement** on the same prior-year period (EUR -0.8 million). During the first quarter of 2005 we have thus continued to build on the successful progress made in the preceding financial year. This has among other things been made possible by november AG's optimized corporate structure as a development and holding company in the fields of biotechnology and nanotechnology. At Group level, november AG increased its consolidated revenues for the first three months to EUR 1.36 million, **19% up on the corresponding prior-year period** (EUR 1.14 million). Having successfully intensified marketing activities, sales and marketing expenses for the first quarter increased in line with plans to TEUR 651 (prior-year period: TEUR 572). In contrast, research and development costs for the same period fell by 9% to TEUR 672 (prior-year period: TEUR 737), reflecting the increased maturity and market readiness of our products. At the end of the first three months november AG's **total liquidity amounted to EUR 7.466 million** (31 December 2004: EUR 8.837 million). At TEUR -304, the **consolidated operating result (EBIT)** showed a marked improvement on the preceding year's figure (EUR -1.273 million). The **net earnings per share (EPS)** according to DVFA/SG improved to EUR 0.01 (prior-year period: EUR -0.11). The subsidiaries of the november Group and also november AG's direct and indirect interests made significant progress in their respective fields:

### identif GmbH

- The **license and supply agreement** concluded between identif GmbH and the Packaging & Industrial Polymers (P&IP) division of the US chemical company DuPont entered into effect at the start of the new financial year, as did the **participation agreement** concluded between november AG and E.I. du Pont de Nemours and Company. DuPont P&IP, a leading global supplier of packaging solutions, and the recently founded subdivision DuPont Security & Solutions, which offers customized security solutions to the packaging industry, will now market the identif marking systems on an exclusive global basis for an initial period of five years. The two security technologies will be marketed to customers throughout the world under the new product names "**Bio-Molecular Marker**" (molecular fingerprint) and "**Color Spectra Film**" (nano-optical seal). During the first three months of the year activities focused on incorporating the identif technologies within the US chemical group's product range, on the **joint addressing of potential customers** and on the development of sales and marketing. Increased participation at **trade fairs and congresses** such as "Pharma Secure Chain" in London and "Pharmaceutical Anti-Counterfeiting" in Paris have already increased awareness of identif's markings, with international companies from various sectors indicating an interest in the application possibilities offered by the signatures. The higher volumes discussed with customers also testify to the success of the joint marketing approach.

To address important multipliers and decision-makers from politics and industry, identif GmbH is also appearing at trade fairs and congresses as an **expert in the field of brand and product protection** – as, for example, at the “Asia-Pacific Forum” at the Bavarian Chamber of Commerce and Industry in Nuremberg in March. (Further information available at: [www.identif.de](http://www.identif.de)).

### directif GmbH

- During the first quarter, directif GmbH was able to announce not just one but two **new cooperation projects**. Firstly, the november AG subsidiary will head a German-Chinese research consortium that will develop a laboratory-independent analysis system, based on directif’s “lab on a chip” system, to identify pathogens that can trigger life-threatening respiratory tract diseases. The project involves cooperation between Mikrogen GmbH, the Fraunhofer Institut für Zuverlässigkeit und Integration (IZM) and the Institut für Medizinische Mikrobiologie und Hygiene of the University of Regensburg, among others. The Chinese partners are the state Center for Disease Control (CDC) and a major hospital in Chong Qing. The German **Federal Ministry for Education and Research (BMBF)** is providing the German cooperation partners with grants of EUR 2.4 million for a period of two and a half years. The project is now successfully underway.

Secondly, directif GmbH concluded a cooperation agreement in the field of individualized medicine with **Epidauros Biotechnologie AG**, a leading pharmacogenetics company. In future, both companies will work together to intensify **customer canvassing and marketing** for the LabChip technology developed by directif. First steps were taken to contact pharmaceutical companies and present the LabChip technology to them. The response has been extremely pleasing. With regard to the cooperation with Siemens Medical Solutions, the work on process optimization of the integrated system made further progress and the specificity of specified genes was proven, for example. The plastic cartridges manufactured in series production by Wilden AG are currently being optimized for the analyzers. Since the beginning of the year directif GmbH has been presenting its portfolio of diagnostic products and its services on its **own website** [www.directif.de](http://www.directif.de).

### PEQLAB Biotechnologie GmbH

- Development at our subsidiary **PEQLAB Biotechnologie GmbH** remains positive. The one-stop shop for molecular biology research requirements has been operating at a profit since 2002 and in the first three months of 2005 it recorded a **24% rise in revenues** compared with the same prior-year period. The company has increased its sales and marketing teams in Germany and Austria with a view to increasing penetration of national and international markets. The **export ratio** currently lies at around 17%, an improvement of **62%** on the same prior-year period. Moreover, PEQLAB recently became exclusive sales and marketing partner in Germany and Austria for Nanotrop’s spectral photometer, a device used for measuring small sample volumes. (Further information available at: [www.peqlab.de](http://www.peqlab.de))

## responsif GmbH

- **responsif GmbH**, the former therapy division of november AG, is able to report pleasing interim results from the first clinical trial of its therapeutic approach for fighting renal cell carcinoma. The clinical tests are continuing to run **to schedule and without complications**. All patients treated are showing good tolerance to the immunizations. Pre-clinical studies using tumor models in the field of ovarian cancer are yielding initial positive results. An immunization concept based on **nanobiotechnology** represents an ideal complement to existing therapeutic procedures and this is also at the pre-clinical stage. Skin cancer and breast cancer have been selected as first indications for this therapeutic approach. (Further information available at: [www.responsif.de](http://www.responsif.de))

## ZAFENA AB

- The Swedish biotech and pharmaceutical company **ZAFENA AB**, in which november AG has held a 22.4% share since August 2004, achieved **market maturity** for its blood coagulation monitoring device during the first quarter; this device will soon be supplied to Swedish laboratories and health centers. Initial enquiries have also been received from individuals and institutions throughout the world who are interested in marketing and selling the monitoring device. Preparations are underway to start clinical trials for the blood coagulation agent, isocitrate, which is being developed in cooperation with responsif GmbH. ZAFENA plans to launch several products containing isocitrate, including blood bags and blood-collecting tubes. The market for this type of products is estimated at several hundred million Euro.

## *Information regarding subsidiaries and report on important relations*

### *identif GmbH*

identif GmbH focuses on the development and marketing of products that offer effective protection against **product piracy** and illegitimate **overproduction** and also support efficient **supply chain management**. Over the next five years, its two complementary product protection solutions will be exclusively **marketed on a global basis** by the Packaging & Industrial Polymers division of the US chemical group DuPont. Under a participation agreement, DuPont has also secured a 10% stake in identif GmbH, of which 5% has already been transferred.

#### **DNA Codes (Molecular fingerprint/Bio-Molecular Marker)**

One of identif GmbH's key products is a product security system based on synthetic DNA codes. The underlying patent covers the use of the high information storage capacity of DNA and the fact that for the first time ever, the system enables the **authenticity of goods to be verified anywhere by means of easy to use reading devices**. Users can establish whether goods are genuine in just a few seconds. As the marking is not visible to the naked eye it is called a "covert" feature in security business terms.

DNA codes can be applied as a molecular fingerprint either on an **adhesive label** on the sales packaging **or printed directly onto the product**. The use of inkjet technology in the marking process has recently also been introduced, with DNA being mixed directly with the color, thus enabling it to be printed directly.

#### **nanotech cluster codes (Nano-optical seal/Color Spectra Film)**

For the labeling of a wide variety of surfaces such as **spare parts** that are vital for safety in the automobile and aerospace industries, **chip cards** or **banknotes** (where **Hueck Folien GmbH** acts as development partner), identif GmbH offers cluster codes that are based on extremely stable ultra-thin layers that show highly specific **bright color effects** when viewed at different angles. These optical codes offer fast and easy **machine readability** and guarantee maximum **counterfeit protection** - a combination which holograms and conventional security technologies cannot guarantee. As the labeling is visible, this is called an "overt" feature. Due to their unique color scale these nano-optical seals can be used for a broad range of applications as optically attractive, machine-readable features for adhesive labels, foils or direct labeling.

Both security technologies increase consumer protection against lower value goods and also support manufacturers in the fight against overproduction or disloyal partners in the distribution chain.

## *directif GmbH*

directif GmbH is developing the world's first fully automated molecular analysis system for **laboratory-independent nucleic acid testing**. In future, this technology will enable pathogens to be identified extremely quickly directly at the doctor's surgery or at the patient's bedside. The system combines the individual analysis stages that were previously carried out within a laboratory in a single disposable cartridge. The samples are read by a control unit (analyzer) the size of a desktop laser printer. The "LabChip" system is far **quicker** and **more cost effective** than conventional laboratory analysis methods as it does not require any laboratory infrastructure or specially trained personnel. The results are available after only two hours; net operating time for the system is just a few minutes. The "lab on a chip" system offers tremendous market potential. It addresses a **global growth market** with a volume of 1.5 billion US dollars and an annual growth rate of 20%. It can also be used universally – for identifying genetically-related risk factors such as increased propensity to thrombosis, for example, and also for identifying HIV viruses in blood and salmonella bacteria in food. Other areas of application include **environmental analysis** and **individualized medicine** (pharmacogenetics). For the latter, the system is used to analyze gene sequences to determine the tolerance and effectiveness of drugs. This knowledge helps avoid strenuous medication attempts.

The development partners for the nucleic acid testing system are **Siemens Medical Solutions** (development of the analyzer), **Wilden AG** of Regensburg, a leading manufacturer in the field of precision plastic components for medical applications (series production of the cartridges) and, more recently, **Epidaurus Biotechnologie AG** (marketing in the field of individualized medicine).

## *PEQLAB Biotechnologie GmbH*

november AG has held a majority stake in PEQLAB Biotechnologie GmbH since December 2000. PEQLAB is a **one-stop shop for molecular biology** and supplies innovative reagents and laboratory equipment, some of which are developed in-house. Its customers include government and university research institutes as well as biotech companies. The company has recorded double-digit growth in recent years by intensifying national and international sales and marketing activities and also by constantly expanding its product range.

## ZAFENA AB

november AG has a 22.4% stake in the Swedish biotech and pharmaceuticals company ZAFENA AB. The company has brought a blood coagulation monitoring device that was originally developed by november AG to market maturity. In cooperation with responsif GmbH the company is developing isocitrate, an agent for stopping blood coagulation. Citrate is currently used for stabilizing blood preparations. However, as citrate binds calcium, it can cause cramps in dialysis patients due to the loss of calcium. Isocitrate offers several advantages over citrate – it removes less calcium from the body, enables better stabilization of blood plasma and increases the stability of banked blood. It no longer has to be frozen and can instead be kept and transported at fridge temperature. Preparations for clinical studies are currently underway.

## responsif GmbH

responsif GmbH was formed in January 2003 following a management buy-out of november AG's therapeutic division. However, contractual terms safeguard november AG's interests in its former therapeutic division.

responsif GmbH focuses on the development of innovative immune therapies in the fight against cancer. As tumors are usually virtually invisible for the immune system and can thus spread unhindered throughout the body, responsif's therapeutic approaches involve **individualized reactivation of the immune system** against tumor cells.

In a first clinical study, tumor cells are surgically removed from patients, inactivated and coated with a protein that stimulates the immune response before being returned to the body in a series of immunizations. In contrast to conventional chemotherapies, this treatment produces few side effects as residual tumor tissue and metastases are detected and eliminated by the body's own immune response. The **fight against renal cell carcinoma** has been selected as the first indication for clinical testing of the concept, which involves the participation of Medizinische Klinik III of Erlangen-Nürnberg University, the Urology Clinic of Waldkrankenhaus St. Marien, Erlangen, and the Bavarian Red Cross' Blood Donor Service in Nuremberg. Initial preliminary observations indicate good tolerance and clear immune responses.

However, as this therapeutic approach cannot be used for the tumor cells of all types of cancer, an **immunization concept based on nanobiotechnology** offers an ideal complement. This is based on polyoma technology in which synthetically produced sheaths of a harmless virus are used to package active antigens. The method selected by responsif GmbH uses tumor-specific protein fragments that are packed in virus sheaths and injected into the body in multiple immunizations. They then trigger a specific immune response within the body.

## *november AG shares*

During the first quarter the price of november AG's shares generally ranged **between EUR 5 and EUR 6**. After reaching its highest price of EUR 6.27 (Xetra closing price) on 10 February the share price continued to fall despite several items of positive news from the company. Even the announcement of the extremely pleasing figures for the financial year 2004 failed to produce a positive turnaround. Increased IR activities such as the organization of **roadshows in Germany and other countries** and resulting in **more intensive discourse with institutional investors** are planned for 2005.

Both Concord Effekten AG and First Berlin Equity Research published updates of their studies during the first three months. Concord Effekten continues to perceive EUR 7.20 as the fair value. First Berlin continues to recommend the shares as a **"strong buy"** and still sees the target price for this year at EUR 8.25.

## *Events following the end of the quarter*

As part of its joint customer approach strategy, DuPont Packaging & Industrial Polymers and identif GmbH exhibited the product protection solutions of november's subsidiary at **"Interpack", the world's largest packaging trade fair**, in April. The cooperation and possible applications for the security technologies were explained to the industry's international media at a special press conference organized by the two companies.

Also in April, **delegates** from directif's general management and members of the German Federal Ministry for Education and Research embarked on a **trip to Peking** as part of the German-Chinese research project that is headed by directif GmbH and which aims to develop a system for identifying respiratory tract diseases.

## *Outlook*

**identif GmbH** will work with the DuPont divisions Packaging & Industrial Polymers and Security & Solutions to intensify customer account development; in doing so, attention will focus on expanding the sectors already targeted. The aim is to establish global sales and marketing for identif's security solutions and thus achieve **global penetration of the market**. New customers are also expected in the field of banknote security.

**directif GmbH** will continue to press ahead with optimization of the integrated system and expand the area of application for cartridges and analyzers in order to secure further market shares and increase opportunities for **commercialization** within the near future. Sales and marketing activities for the LabChip technology will be intensified in cooperation with Epidauros Biotechnologie AG.



In annual terms, **PEQLAB Biotechnologie GmbH** again expects an overall **positive result** with **clear double-digit increases in revenues**. During the first quarter, the company became exclusive sales partner in Germany and Austria for the spectral photometer produced by Nanotrop. According to PEQLAB's own estimates, the product, which is already a top seller, should account for 10% of overall sales in the current financial year. The company also plans to **open a second branch office in Vienna** in 2005.

During the course of the year we expect further encouraging results from the **clinical tests** for **responsif GmbH's** personalized tumor therapeutic approach.

At **group level**, too, we are again expecting **double-digit percentage revenue growth** for the financial year 2005 as a whole.

The management

### *Important figures of november AG*

<b>Figures in TEUR</b>	<b>01/01/2005 to 03/31/2005</b>	<b>01/01/2004 to 03/31/2004</b>
Revenues	1,358	1,142
Selling and marketing expenses	651	572
Research and development expenses	672	737
Operating income (EBIT)	-304	-1,273
Balance sheet total	26,962	27,888
Total liquidity	7,466	11,407
Average number of employees (adjusted to FTE; not including employees in minority participations)	62	61

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

*Consolidated balance sheet on 31 March 2005 (IFRS)  
november Aktiengesellschaft, Erlangen*

**ASSETS**

	Quarterly Report 03/31/2005	Annual Report 12/31/2004	Change in %
	EUR	TEUR	
<i>Current Assets</i>			
Cash and cash equivalents	7,466,208	8,837	-16
Trade accounts receivable	562,013	460	22
Inventories	999,553	942	6
Other current assets	564,458	701	-19
Prepaid expenses	75,923	25	204
<b>Total current assets</b>	<b>9,668,155</b>	<b>10,965</b>	-12
<i>Non-current assets</i>			
Property, plant and equipment	1,102,962	1,114	-1
Intangible assets	207,493	203	2
Goodwill	1,106,603	1,107	0
Investments	3,006,461	2,755	9
Deferred taxes	11,870,673	11,538	3
<b>Total non-current assets</b>	<b>17,294,192</b>	<b>16,717</b>	3
<b>Total assets</b>	<b>26,962,347</b>	<b>27,682</b>	-3

*Consolidated balance sheet on 31 March 2005 (IFRS)  
november Aktiengesellschaft, Erlangen*

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	Quarterly Report 03/31/2005 EUR	Annual Report 12/31/2004 TEUR	Change in %
<i>Current liabilities</i>			
Trade accounts payable	542,568	456	19
Advance payments received	0	13	-100
Current portion of amounts owed to banks	115,768	116	0
Other current liabilities	205,626	1,097	-81
Accrued expenses	1,124,207	1,088	3
<b>Total current liabilities</b>	<b>1,988,169</b>	<b>2,770</b>	<b>-28</b>
<i>Non-current liabilities</i>			
Long-term loans	274,157	321	-15
<b>Total non-current liabilities</b>	<b>274,157</b>	<b>321</b>	<b>-15</b>
Minority interests	244,771	214	14
<i>Shareholders' equity</i>			
Subscribed capital	7,468,320	7,468	0
Additional paid-in capital	43,243,809	43,244	0
Accumulated deficit	-26,256,879	-26,335	0
<b>Total shareholders' equity</b>	<b>24,455,250</b>	<b>24,377</b>	<b>0</b>
<b>Total liabilities and shareholders' equity</b>	<b>26,962,347</b>	<b>27,682</b>	<b>-3</b>

*Consolidated income statement (IFRS)*  
*1 January to 31 March 2005*  
*november Aktiengesellschaft, Erlangen*

	3 Months Report 01/01 to 03/31/2005	3 Months Report 01/01 to 03/31/2004	Change in %
	EUR	TEUR	
Revenues	1,357,680	1,142	19
Cost of revenues	802,462	618	30
<b>Gross profit</b>	<b>555,218</b>	<b>524</b>	<b>6</b>
Selling and marketing expenses	650,976	572	14
Research and development expenses	671,718	737	-9
General and administrative expenses	390,544	462	-15
Other operating expenses	81,626	111	-26
Other operating income	935,532	132	609
Amortization of goodwill	0	47	-100
<b>Operating income / loss</b>	<b>-304,114</b>	<b>-1,273</b>	<b>-76</b>
Interest income / expenses	62,147	47	32
Other expenses	-4,210	-18	-78
<b>Financial result</b>	<b>57,937</b>	<b>29</b>	<b>100</b>
<b>Result before taxes (and minority interests)</b>	<b>-246,177</b>	<b>-1,244</b>	<b>-80</b>
Income tax			
a.) Tax expenses	5,531	7	-21
b.) Income from deferred taxes	332,802	464	-28
<b>Result before minority interests</b>	<b>81,094</b>	<b>-787</b>	<b>-110</b>
Minority interests	-3,094	-10	-69
<b>Consolidated result of the period</b>	<b>78,000</b>	<b>-797</b>	<b>-110</b>
Net income per share in EUR			
Undiluted net income per share (EPS)	0.01	-0.11	
Undiluted net DVFA/SG income per share	0.01	-0.11	
Weighted average shares outstanding (undiluted)	7,468,320	7,468,320	

**Cash flow statement (IFRS)**  
**1 January to 31 March 2005**  
*november Aktiengesellschaft, Erlangen*

	01/01 to 03/31/2005 EUR	01/01 to 03/31/2004 TEUR
<b>Cash flow from operating activities:</b>		
Consolidated net result of the period	78,000	-797
<i>Adjustments for:</i>		
Minority interests	31,017	10
Depreciation and amortization	85,147	140
Income from change in deferred taxes	-332,802	-463
<i>Change in net working capital:</i>		
Increase in inventories, trade accounts receivable and other assets (previous year: decrease)	-73,661	31
Decrease in trade accounts payable and other liabilities (previous year: increase)	-781,798	64
<b>Net cash used in operating activities</b>	<b>-994,097</b>	<b>-1,015</b>
<b>Cash flow from investing activities:</b>		
Purchase of property, plant and equipment	-78,710	-37
Disbursements in connection with investments	-251,026	-1
<b>Net cash from financing activities</b>	<b>-329,736</b>	<b>-38</b>
<b>Cash flow from financing activities:</b>		
Disbursements for the repayment of loans	-47,230	-35
<b>Net cash used in financing activities</b>	<b>-47,230</b>	<b>-35</b>
<b>Decrease in cash and cash equivalents</b>	<b>-1,371,063</b>	<b>-1,088</b>
Cash and cash equivalents at the beginning of the period	8,837,271	11,495
<b>Cash and cash equivalents at the end of the period <sup>*)</sup></b>	<b>7,466,208</b>	<b>10,407</b>

\*) *The total liquidity per 31 March 2005 amounted to TEUR 7,466 and is fully composed of deposits at banks (31 December 2004: TEUR 8,837).*

*Statement of changes in shareholders' equity  
for the period 1 January to 31 March 2005*

The changes in equity are shown in the following table

<b>In TEUR</b>	<b>Subscribed capital</b>	<b>Additional paid-in capital</b>	<b>Accumulated deficit</b>	<b>Total shareholders' equity</b>
<b>31 December 2004</b>	<b>7,468</b>	<b>43,244</b>	<b>-26,335</b>	<b>24,377</b>
Result-affecting changes in equity:				
- Consolidated net income 01/01 to 03/31/2005			78	78
<b>31 March 2005</b>	<b>7,468</b>	<b>43,244</b>	<b>-26,257</b>	<b>24,455</b>

*Statement of changes in shareholders' equity  
for the corresponding period of the previous year from  
1 January 2004 to 31 March 2004*

<b>In TEUR</b>	<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>

## *Explanatory notes*

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

The accounting and valuation methods have been continued in accordance with the IFRS consolidated financial statements as per 31 December 2004. There have been no relevant changes vis-à-vis the notes to the aforementioned consolidated financial statements. The subsidiaries directif GmbH (100%), identif GmbH (95% since 1 January 2005; 31 December 2004: 100%) and PEQLAB Biotechnologie GmbH (51%) have been fully included in the consolidated financial statements of november AG.

In accordance with IAS 28 (Investments in Associated Companies) in conjunction with IAS 39 (Financial Instruments), november AG's 22.4% share in the Swedish biotechnology company ZAFENA AB, Vreta Kloster, is recognized at fair value in the consolidated financial statements.

### *Balance sheet development and total liquidity*

At 31 March 2005 the **balance sheet total** of the november Group amounted to **EUR 26.962 million** (31 December 2004: EUR 27.682 million).

During the period under review the Group companies invested TEUR 79 (prior-year period: TEUR 37) in property plant and equipment, especially in office and plant equipment.

On the reporting date of 31 March 2005, **total liquidity** of the november Group stood at **EUR 7.5 million** (31 December 2004: EUR 8.8 million); it consisted solely of deposits at banks and represents **28% of the balance sheet total**.

At the end of the first quarter of 2005 "trade accounts receivable" amounted to TEUR 562 (31 December 2004: TEUR 460) and were mainly accounted for by PEQLAB Biotechnologie GmbH.

The reduction of TEUR 137 in the item "other current assets" to TEUR 564 during the period under review (31 December 2004: TEUR 701) is due to tax refunds and to the receipt of agreed grants.

As at 31 March 2005, the item "investments" increased by TEUR 251 to EUR 3.006 million compared with 31 December 2004 (EUR 2.755 million). This includes in particular loans to responsif GmbH in a total amount of EUR 2.900 million.

Deferred tax assets taking into account the elimination of tax-free income from participations in accordance with the relevant IFRS standards increased by TEUR 333 to EUR 11.871 million during the reporting period 1 January to 31 March 2005 (31 December 2004: EUR 11.538 million). The calculation of deferred taxes is based on a tax rate of 38% and assumes that the tax reduction claims from existing tax loss carryforwards can be utilized as planned in the future. A change in corporate taxation may require an adjustment of this item at some time in the future.

During the first 3 months of 2005 the Group's liabilities declined by TEUR 865 to EUR 1.138 million (31 December 2004: EUR 2.003 million). The reduction in liabilities is largely due to the fact that an advance payment relating to the sale of a participating interest that was received in the financial year 2004 has now affected the result for the current period. During the reporting period accrued expenses increased by TEUR 36 to EUR 1.124 million (31 December 2004: EUR 1.088 million).

Following a consolidated net income of TEUR 78 in the first quarter of 2005, shareholders' equity remained largely unchanged on the figure for the end of the financial year 2004 and amounted to EUR 24.455 million (31 December 2004: EUR 24.377 million). As at 31 March 2005, the **equity ratio** thus amounted to 91%.

Based on the XETRA closing price for november AG's shares as at 31 March 2005 (EUR 5.05), the company's market capitalization totaled **EUR 37.7 million**.

### *Expenses for sales and marketing, research and development, other operating expenses*

Compared with the prior-year period, the november Group's **sales and marketing expenses** increased by TEUR 79 to **TEUR 651 (+14%)** (1 January to 31 March 2004: TEUR 572). This largely related to identif GmbH and PEQLAB Biotechnologie GmbH.

During the first quarter of 2005 **research and development expenses** fell by **TEUR 65 or 9%** on the prior-year period and amounted to TEUR 672 (1 January to 31 March 2004: TEUR 737). The continuing reduction in R&D costs is due to the achievement of market readiness and maturity for products.

R&D expenditures for the subsidiaries are as follows:

TEUR	identif GmbH	directif GmbH	Total
01/01 to 03/31/2005	250	422	672
01/01 to 03/31/2004	255	482	737

The research and development expenses essentially comprise personnel expenses, cost of materials and expenses for outside services, as well as depreciation on laboratory equipment.

General and administrative expenses fell compared with the prior-year period and amounted to TEUR 391 (preceding year: TEUR 462).

The item "other operating expenses" (TEUR 82, prior-year period: TEUR 111) includes expenses of TEUR 71 which relate to services provided for responsif and which are matched by "other operating income" in the same amount.

The "other operating income" of TEUR 936 (prior-year period: TEUR 132) mainly relates to income from the sale of a participating interest, grants received, and services provided to responsif GmbH.



The item "other expenses" within the financial result (TEUR 4; prior-year period: TEUR 18) includes in particular expenses relating to the stock market listing.

### *Operating result and net income for the reporting period*

The **consolidated operating result** for the period 1 January to 31 March 2005 amounted to **EUR -0.304 million** (prior-year period: EUR -1.273 million). Including the financial result, deferred taxes and minority interests, the **consolidated net income** amounted to **TEUR 78** representing a 110% improvement on the prior-year period (TEUR -797). As at 31 March 2005, the **accumulated deficit** was reduced by the full amount of the consolidated net income to **EUR -26.257 million** (31 December 2004: EUR -26.335 million). After three months the **undiluted income per share** (EPS and DVFA/SG) was **EUR 0.01** (prior-year period: EUR -0.11).

### *Segmental Report*

Figures in TEUR	identif GmbH	directif GmbH	PEQLAB Biotechnologie GmbH	november AG Holding	Group
Revenues and other operating income					
03/31/2005	20	0	1,356	917	2,293
03/31/2004	77	17	1,094	86	1,274
Operating result					
03/31/2005	-354	-526	17	559	-304
03/31/2004	-356	-551	33	-399	-1,273

The column "november AG Holding" includes all income/expense of the parent company as well as all items connected to the consolidation.

The Group revenues for the first three months of the current financial year can be subdivided by region as follows:

Figures in TEUR	01/01 to 03/31/2005	01/01 to 03/31/2004
Domestic	1,111	1,002
EU	129	62
Rest of world	118	78
Total	1,358	1,142

*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 03/31/2005</b>	<b>Shares held on 12/31/2004</b>
<u>1. Executive Board</u>		
Dr. Wolf M. Bertling	599,657	599,657
<u>2. Supervisory Board</u>		
Dr. Leo Steib (Chairman)	113,748	113,748
Dr. Agnieszka Jankowska (Deputy chairwoman)	-	-
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 of the company's shares and the members of the Supervisory Board hold a total of 121,679 of the company's shares.

The company itself does not hold own shares.

*Our employees*

On average, 62 employees (re-calculated to full-time equivalents) worked within the november Group throughout the reporting period from 1 January to 31 March 2005 (prior-year period: 61 employees). This only includes employees working in companies that were fully consolidated.

## *Business development within the first three months of the year 2005*

The license and supply agreement concluded in December 2004 between identif GmbH and DuPont Packaging & Industrial Polymers became effective as of 1 January 2005, as did the participation agreement concluded between november AG and E.I. du Pont de Nemours and Company. In addition to exclusive global marketing of identif's marking systems, the US business division also secured a 10% share in the november subsidiary, 5% of which have already been transferred. Activities during the first three months of cooperation focused on integrating the technologies within DuPont's product portfolio and **developing joint marketing activities**. Until then, marketing activities had focused mainly on Europe. The joint presence at trade fairs and congresses has already resulted in **interest from numerous potential customers**, including renowned international companies from various different sectors; the volume of potential orders far exceeds orders to date.

In its development project for a rapid nucleic acid diagnostic procedure, directif GmbH continued work on **process optimization of the integrated system**. The series manufactured plastic cartridges produced by Wilden AG of Regensburg were successfully integrated and tested. They supply reproducible results, proving the stability and functionality of the "lab on a chip" system. The november AG subsidiary concluded a cooperation agreement with the Bernried-based company Epidauros Biotechnologie AG to assist commercialization and marketing in the field of pharmacogenetics, or **individualized medicine**. Customers approached by Epidauros (mainly pharmaceutical companies) are showing a strong interest in the LabChip technology, which enables drugs manufacturers to carry out genetic typing tests at a very early stage in the clinical development of drugs. These genetic typing tests examine the tolerance and effectiveness of drugs by analyzing specific gene sequences.

In the first quarter of 2005 **PEQLAB Biotechnologie GmbH's** revenues grew by **24%** on the prior-year period. Further increases in the national and international sales and marketing teams and the expansion of the product portfolio have been major factors in this success.

The Swedish biotech and pharmaceutical company **ZAFENA AB**, in which november AG has held a 22.4% share since August 2004, made further progress towards **market maturity** for its blood coagulation monitoring device during the first quarter; this device is almost ready for delivery to Swedish laboratories and health centers. Initial enquiries have also been received from individuals and institutions throughout the world who are interested in marketing and selling the product. Preparations are underway to start clinical trials for the **blood coagulation agent, isocitrate, which is being developed in cooperation with responsif GmbH**. ZAFENA plans to launch several products containing isocitrate, including blood bags and blood-collecting tubes. The market for this type of products is estimated at several hundred million Euro.

responsif GmbH is able to report initial **positive interim results** from the clinical trial of its first therapeutic approach. All patients immunized to date have shown good tolerance in respect of the agent injected into them. A second therapeutic approach based on nanobiotechnology is at the pre-clinical studies stage and should prove effective in the fight against skin and breast cancer cells by inducing a strong immune response from the patient's own body.

In the first quarter of 2005 the november Group increased its revenues **by 19% on the preceding year to EUR 1.358 million. PEQLAB Biotechnologie GmbH** in particular was a key contributor here with revenue growth of 24% compared with the first quarter of 2004. As in the preceding year, our subsidiary is recording a **net income**. For 2005 we are expecting a rise in sales of significantly more than 10% for PEQLAB Biotechnologie GmbH compared with the preceding year. We are also expecting **double-digit percentage revenue growth at Group level**, too.

As at 31 March 2005, the **Group's total liquidity** amounted to **EUR 7.466 million** compared with EUR 8.837 million at the end of the financial year 2004.

The **net earnings per share** (EPS and DVFA/SG) for the first three months of the current financial year were **EUR 0.01** (prior-year period: EUR -0.11).

No special risks are anticipated for the current financial year.

## *Review Report*

*for november Aktiengesellschaft*

We have reviewed the accompanying interim financial statements of november AG for the period January 1 to March 31, 2005, consisting of the consolidated balance sheet, consolidated profit and loss account, statement of changes in equity, consolidated cash flow statement, and explanatory notes. The preparation of an interim report in accordance with International Financial Reporting Standards (IFRS) and German stock market regulations is the responsibility of the company's management. Our mandate was to issue a report on this interim financial statements based on our review.

We conducted our review of the interim financial statements in accordance with the generally accepted standard for the review of financial statements promulgated by the German Institute of Certified Public Accountants (IDW). This standard requires that we plan and perform the review in such a way that, in the course of our critical appraisal, we are able with moderate assurance to exclude that the interim report does not deviate in any significant way from International Financial Reporting Standards and the supplementary German stock exchange regulations and that it provides not a true and fair presentation of the net assets, financial position and results of operations.

A review is limited primarily to inquiries of company personnel and analytical procedures and thus does not provide the assurance for an affirmative audit opinion obtainable from an audit of financial statements. In accordance with our review engagement, we have not performed an audit and, accordingly, we cannot express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the preparation of the interim financial statements does not conform with International Financial Reporting Standards and the supplementary German stock exchange regulations or does not give a true and fair presentation of the net assets, financial position and results of operations.

Nuremberg, 10 May 2005

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 (95% subsidiary)
<b>directif GmbH</b>	Development of integrated systems for nucleic acid diagnosis e.g. by the patient's bedside or in the doctor's office. Former division of november AG, spun off effective as of 31 December 2003 (100% subsidiary)
<b>responsif GmbH</b>	Former Therapy division of november AG developing novel approaches to tumor immunotherapy. Management buy out as of 1 January 2003
<b>Cluster</b>	Signal-enhancing metal particles on a submicroscopical scale. Show strong color effects when incorporated into nanotechnological thin films. Basis of the → <i>nano-optical seal</i>
<b>DNA</b>	Desoxyribonucleic acid. Chain molecule consisting of four different building blocks. In nature, the carrier of genetic information with a high storage density. Synthetically manufactured DNA chains are used as the product code for the → <i>molecular fingerprint</i> . Illnesses are diagnosed e.g. by the detection of pathogen specific → <i>nucleic acids</i>
<b>molecular fingerprint (Bio-Molecular Marker)</b>	System for machine-readable labeling and on-site identification of goods and packaging based on synthetic → <i>DNA</i> as a biotechnological code
<b>nucleic acids</b>	Carrier of the genetic information. Diseases can be related to changes on the nucleic acid level (→ <i>directif GmbH</i> )
<b>nano-optical seal / (Color Spectra Film)</b>	System based on nanotechnologically manufactured → <i>cluster codes</i> for visible and machine-readable marking of surfaces, either directly or by means of a label

**Pharmacogenetics**

Individualized medicine; investigates the influence of the individual patient's genetic make-up on the effects of pharmaceutical preparations

**polyoma technology**

Patented technique which uses artificially produced virus sheaths for packaging active antigens; here specifically: packaging of tumor-specific protein fragments

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