

Interim Report

**FOR THE SECOND QUARTER
OF THE FINANCIAL YEAR 2003**

(2003-04-01 to 2003-06-30)

and

**SIX-MONTHS REPORT 2003
(2003-01-01 to 2003-06-30)**

Letter to shareholders

Dear shareholders.

november is one of Germany's leading innovators of the *Mittelstand* (medium sized companies). This is the conclusion of the renowned "TOP 100" initiative that has been evaluating the innovative power of the German economy for years. For us, this award is both encouragement and affirmation. With our forgery-proof product security systems as well as our pioneering diagnostic approaches, our market position is excellent. Good progress is also made in the preclinical developments of our spin-off *responsif GmbH*. In order to generate revenues from our innovative products, we have been intensifying our sales activities.

After the successful spinning off of our therapeutic division, we are now fully focused on our core units solutions for advanced high-security product and brand protection as well as reliable, fast and cost-effective diagnostic systems. With a sound financial basis and our highly qualified employees in research, development, and sales, we have all the necessary resources available to successfully commercialize our developments.

In the first half of 2003 and contrary to the general economic trend in Germany, november AG was able to rise group revenues again to a total of 1.81 million EUR which is a growth rate of 13 percent. This is a very pleasing result. Selling expenses rose by 9 percent amounting to 1.00 million EUR (previous year's period: 0.92 million EUR). At the same time, research and development costs were lowered according to plan to 1.74 million EUR (previous year's period: 3.06 million EUR). This can be mainly attributed to the spinning off of the research oriented therapy division at the beginning of the year. Direct comparison of certain key figures like the significant 43 percent amelioration of the operating income (EBIT) for the first half of the year amounting to -2.47 million EUR (previous year's period: -4.30 million EUR), also documents the stable development trend of your company.

Business unit development

At the end of the second quarter 2003, november AG has two business units: *identif Technologies* for the development of innovative industrial security solutions and *directif Diagnostic Solutions* which focuses on the development of near-patient nucleic acid testing.

identif Technologies

november AG develops new methods for authentication purposes and for the surveillance of the supply or distribution chain of branded products as well as security relevant investment and consumer goods of all kind. In this field, Siemens Automation and Drives is one of our co-development and sales partners. An especially attractive market for our products is the pharmaceutical industry.

brandprotection (DNA)

brandprotection is the brand name under which november AG is commercializing DNA based product security solutions. november AG has developed forgery-proof product security labels on the basis of synthetic nucleic acids in combination with easy-to-use scanners. The system takes advantage of the high information storage capacity of DNA, a genuine property of DNA as carrier of the genetic code. Authenticity of goods can thus be verified within seconds. The cordless reader, equipped with rechargeable batteries, as well as the corresponding labels and detection pens are already in mass-production and are available for customers.

Within the scope of a broad field study, our first customer, Bristol-Myers Squibb GmbH, is currently evaluating our DNA systems for package labeling of one of their strong selling drugs.

brandsealing (Cluster)

For the labeling of high-use surfaces, for instance industrial spare parts, chip cards, or banknotes, november offers the cluster technology. It is based on extremely stable ultra-thin layers, which show a highly specific color switch effect depending on the viewing angle. Due to its fast and easy machine readability, the generated spectral code guarantees high security against forgery. Machine readability and forgery-proofness can not be guaranteed by holograms or comparable technologies.

november AG is currently conducting a study on the application of cluster layers to "watermark" SmartCard chip modules together with Infineon Technologies AG. The technical evaluation proceeds well.

With *brandsealing*, industries like the automotive business may directly label their products. Moreover, with its optically attractive and machine-readable label or film variants, many different markets can be addressed. Since last year, machine-readable cluster labels for packaging are being produced by Schreiner GmbH & Co. KG, one of Europe's leading manufacturers of self-adhesive labels. In addition, we are going to offer color switch effect films for application in the banknote sector. Since last quarter, such films are jointly developed together with Hueck Folien GmbH. Prototype cluster readers are already being used.

Further market potential arises from the development of a *brandsealing* variant that can be directly printed on product boxes. This was presented on AACHEMA together with our partner Faller Group, one of Germany's leading companies for pharma packaging solutions.

According to plan, sales and marketing activities have been increased in the past quarters. We have presented our products to various industries, e.g. on trade fairs or industrial forums, and demonstrated the advantages of our technology.

directif Diagnostic Solutions

On the basis of our patented electrochemical detection of nucleic acids, november AG together with Siemens Medical Solutions develops the world's first fully automated system for the molecular near-patient analysis of nucleic acids. This product family has a broad range of applications: Besides viral and bacterial pathogens, gene sequences related to the occurrence of diseases like cancer can be detected as well.

Our system allows testing without the need for a costly laboratory infrastructure or specialized personnel. In a modular set up, it contains an analyzer unit the size of a laser printer and a disposable one-way cartridge which integrates all steps from sample preparation through PCR (amplification of genetic material) to detection of the nucleic acid in question. The cartridge also carries all necessary reagents for the test. This integration is unique to the market and accelerates analysis time to less than two hours. Moreover, the analysis runs fully automatically, so that effective handling time is only a few minutes. Analysis costs can thus be significantly reduced.

The credit card sized cartridge was already presented at the beginning of the year and is now being optimized with respect to mass production. At the same time, evaluation has started for the complete system comprising of november's cartridge and the analyzer prototype developed by Siemens Medical Solutions. Next year, external validation is to be carried out as well as CE certification. Market launch is scheduled for late 2004 or the beginning of 2005, respectively.

PEQLAB Biotechnologie GmbH

In the first half of 2003, our subsidiary *PEQLAB Biotechnologie GmbH* accomplished a revenue growth of 11 percent. This is a success of *PEQLAB's* sales force and has to be appreciated even more as the market for biotechnological research supply is still characterized by restrained ordering. This holds especially true with academic customers.

Since December 2000, november AG has held a 51 percent stake in the company which markets reagents and laboratory equipment, some of which are developed and produced by itself, and working in association with partner companies, provides services in the field of basic research in molecular biology. Customers are, among others, academic research institutions and biotech companies.

responsif GmbH

Effective as of the beginning of the year, the therapy division of november AG was spun off and is now operated through the independent *responsif GmbH*. The spin-off will voluntarily report on the progress made in the therapeutical development.

All technologies, licenses and industrial property rights that are not related to the remaining business units diagnostics or product security have been transferred to that company. This includes immunotherapeutic approaches to cancer therapy, drug delivery, as well as biological labeling. Within the framework of the spin-off, *responsif GmbH* granted november AG rights to participate in the company, rights to expand this participation, as well as rights to receive a special profit share. Contracts and licence agreements guarantee the full protection of the economic interests of november AG's shareholders.

The basis for the highly specific immunotherapy that was formerly developed by november AG and is now being continued at *responsif GmbH* is the specific stimulation of the immune system in order to fight cancer cells. Most tumors are virtually invisible to the immune system and thus can spread almost unhindered within the body. Applying our concept to stop this fatal development, some tumor cells are surgically removed from the patient. They are then killed and coated with a protein which stimulates the immune response. After that they are re-injected into the patient in order to induce a specific immune response which will search and destroy tumor cells within the body without harming the patient.

According to *responsif GmbH*, preclinical development for a first cancer type was finished as planned. To establish the therapeutic concept, *responsif GmbH* has now filed an application for a clinical feasibility study with the local ethics commission.

responsif GmbH also reports that the technology transfer regarding the production of the therapeutic protein to the GMP certified partner is almost finished. Thus, high-purity production of the drug can soon be started. Additional preclinical studies are in preparation in order to broaden the scope of treatable cancer, states *responsif*.

november AG shares

Since March 2003's all time low, the price for november shares has more than doubled. Still analysts see a potential for continuing recovery. In their recently published report, First Berlin Equity Research recommended the november share, based on only conservative expectations regarding the future market share of the various products.

Outlook

Facing the dramatically accelerating trend toward pharmaceutical counterfeiting, the German Federal Government has announced to compile a list of various countermeasures. Thus, our **identif Technologies** receive very much attention for example in the pharmaceutical industry. Our forgery-proof DNA-based security system allows on-site authentication. It guarantees secure supply chains from the production site right to the consumer and protects effectively against counterfeits, illegal reimports, and unlicensed overproduction. We have already expanded our sales activities in this field. In addition to the pharmaceutical industry, our sales campaign targets a number of very attractive markets in different countries.

The technology platform within our business unit **directif Diagnostic Solutions** has a broad range of applications from medical diagnostics to environmental and food analysis. Together with our partners, we will take advantage of this vast market potential. We are going to revolutionize nucleic acid testing with fast, cost-effective diagnoses right at the patient's bedside or in the doctor's surgery. To achieve this, we are going to continue testing the complete system in the quarters to come, add improvements where necessary and start commercialization as soon as possible. Future steps are adaptation to mass-production followed by serial production of the systems components. In addition, we will soon start to recruit production and sales partners worldwide.

At the end of the second quarter, Dr. Thomas Schulze has left the company. In his last position as Member of the Board of Directors, he was responsible for business development in particular. He is appointed to the position of managing director with a biotech company that was founded only two years ago. The members of the executive and supervisory board of november AG wish him great success. Dr. Schulze joined november AG in 1999. In the past years, he has set the course toward commercialization of november's technologies. We, and especially our business unit directors, are determined to stay on this course.

Our subsidiary **PEQLAB Biotechnologie GmbH** still develops very favorably. Taking into account new products and the consistent increase of sales activities, the management is confident to achieve an overall annual growth in the double-digit range again.

We are optimistic regarding our future development, despite the commonly encountered negative economical sentiment. In the first half of the financial year the earnings per share amounted to -0,23 EUR (previous year's period: -0,37 EUR). The significant reduction is mainly due to the spinning off of *responsif GmbH*, but also reflects the increased cost efficiency of november AG. Total liquidity at the end of the second quarter was 11.4 million EUR. This continues to be a convenient basis to accomplish break-even.

The management

Important figures of november AG

figures in TEUR	2003-01-01 to 2003-06-30	2002-01-01 to 2002-06-30 ¹⁾
Revenues	1,813	1,602
Research and development	1,736	3,064
Operating income (EBIT)	-2,467	-4,295
Balance sheet total	26,537	32,223
Overall liquidity	11,437	19,567
Average number of employees (adjusted to FTE) ²⁾	64	89

*) Previous year's figures include the responsif Therapeutic Solutions division, which has been spun-off into the responsif GmbH in first quarter of 2003

**) In deviation from previous year, part time employees were converted to full time employees to calculate the average number of employees. Previous year's figures were adjusted accordingly. The reduction in the number of employees compared to the previous year mainly resulted from the spin-off of our responsif Therapeutic Solutions division in the first quarter of the fiscal year 2003.

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 June 30, 2003 (IAS)
november AG, Erlangen
Gesellschaft für Molekulare Medizin

Assets

	Quarterly Report 2003-06-30 EUR	Annual Report 2002-12-31 TEUR	Change in %
<i>Current Assets</i>			
Cash and cash equivalents	5,898,326	6,859	-14
Short-term investments / marketable securities	39,052		
Trade accounts receivable	1,256,672	462	172
Inventories	797,083	760	5
Other current assets	5,802,026	8,277	-30
Prepaid expenses	98,901	100	-1
Total current assets	13,892,060	16,458	-16
<i>Non-current assets</i>			
Property, plant and equipment	1,286,463	1,833	-30
Intangible assets	119,696	113	6
Goodwill	1,391,158	1,486	-6
Investments	315,998	1,064	-70
Investments (<i>at equity</i>)	1	.	
Deferred taxes	9,531,692	8,629	10
Total non-current assets	12,645,008	13,125	-4
Total assets	26,537,068	29,583	-10

Consolidated balance sheet on June 30, 2003 (IAS)
november AG, Erlangen
Gesellschaft für Molekulare Medizin

Liabilities and shareholders' equity

	Quarterly Report 2003-06-30 EUR	Annual Report 2002-12-31 TEUR	Change in %
<i>Current liabilities</i>			
Trade accounts payable	260,854	739	-65
Advance payments received		15	-100
Accrued expenses	629,554	1,473	-57
Current portion of amounts owed to banks	129,347	129	0
Other current liabilities	236,395	279	-15
Total current liabilities	1,256,150	2,635	-52
<i>Non-current liabilities</i>			
Bonds	105,049	124	-15
Long-term loans	501,660	566	-11
Total non-current liabilities	606,709	690	-12
Minority interest	142,499	136	5
<i>Shareholders' equity</i>			
Share capital	6,811,200	6,811	
Additional paid-in capital	40,690,060	40,690	
Accumulated deficit	-22,969,550	-21,379	7
Total shareholders' equity	24,531,710	26,122	-6
Total liabilities and shareholders' equity	26,537,068	29,583	-10

*Consolidated statement of income (IAS)
from January 1 until June 30, 2003
november AG, Erlangen
Gesellschaft für Molekulare Medizin*

	Half Year Report 01-01 - 2003-06-30	Half Year Report 01-01 - 2002-06-30	Change in %	Quarterly Report 04-01 - 2003-06-30	Quarterly Report 04-01 - 2002-06-30	Change in %
	EUR	TEUR		EUR	TEUR	
Revenues	1,812,581	1,602	13	858,819	792	8
Cost of revenues	1,012,049	900	12	458,212	420	9
Gross profit	800,532	702	14	400,607	372	8
Selling and marketing expenses	1,001,206	921	9	550,474	567	-3
Research and development expenses	1,735,618	3,064	-43	853,678	1,466	-42
General and administrative expenses	676,357	1,134	-40	298,254	547	-45
Other operating expenses	391,431	130	201	73,084	108	-32
Other operating income	631,866	347	82	230,354	207	11
Amortization of goodwill	94,852	95		47,426	47	
Operating income / loss	-2,467,066	-4,295	-43	-1,191,955	-2,156	-45
Interest income and expenses	75,024	153	-51	23,203	56	-59
Other income / expenses	-90,516	-76	20	-16,992	-49	-65
Financial result	-15,492	77	-120	6,211	7	-11
Result before income tax (and minority interest)	-2,482,558	-4,218	-41	-1,185,744	-2,149	-45
Income tax						
a.) Tax expenses	3,570			3,570		
b.) Income from deferred tax	902,558	1,710	-47	427,790	799	-46
Result before minority interest	-1,583,570	-2,508	-37	-761,524	-1,350	-44
Minority interest	-6,560	-4	64	-284	-13	-98
Consolidated net loss	-1,590,130	-2,512	-37	-761,808	-1,363	-44
Net income per share in EUR						
Undiluted net income per share (EPS)	-0.23	-0.37		-0.11	-0.20	
Undiluted net DVFA/SG income per share	-0.23	-0.37		-0.11	-0.20	
Weighted average shares outstanding (undiluted)	6,811,200	6,811,200		6,811,200	6,811,200	

Previous year's figures include our *responsif Therapeutic Solutions* division, which has been spun-off effective as of January 1, 2003.

Cash flow statement (IAS)
from January 1 until June 30, 2003
november AG, Erlangen
Gesellschaft für Molekulare Medizin

	01-01- 2003-06-30 EUR	01-01- 2002-06-30 TEUR
Cash flow from operating activities:		
Consolidated net loss	-1,590,130	-2,512
<i>Adjustments for:</i>		
Minority interests	6,560	4
Depreciation and amortization	292,461	362
Income from change in deferred taxes	-902,558	-1,710
<i>Change in net working capital:</i>		
Increase in inventories, trade accounts receivable and other assets	1,644,653	42
Decrease in trade accounts payable and other liabilities	-1,379,202	-222
Net cash used in operating activities	-1,928,216	-4,036
Cash flow from investing activities:		
Purchase of property, plant and equipment	-103,636	-393
Proceeds from disposal of a subsidiary, net of cash transferred	445,372	1
Proceeds from investments	748,273	3,974
Net cash from investing activities	1,090,009	3,582
Cash flow from financing activities:		
Cash repayments of amounts borrowed	-64,673	-65
Repayments for decrease in bonds	-18,435	7
Net cash used in financing activities	-83,108	-58
Decrease in cash and cash equivalents	-921,315	-512
Cash and cash equivalents at the beginning of period	6,858,693	8,079
Cash and cash equivalents at the end of period *)	5,937,378	7,567

*) The overall liquidity per 2003-06-30 amounts to TEUR 11,437 (2002-12-31: TEUR 15,859). It is composed of the balance sheet positions "Cash and cash equivalents" (TEUR 5,937) and a borrower's note (TEUR 5,500). The borrower's note, which is due for repayment within the next year, is shown under the position "Other current assets".

*Statement of changes in equity
for the period January 1, 2003 until June 30, 2003*

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

	Subscribed capital	Additional paid-in capital	Accumulated deficit	Total shareholders' equity
December 31, 2002	6,811	40,690	-21,379	26,122
Result-affecting changes in equity:				
-Consolidated net loss from January 1 to June 30, 2003			-1,590	-1,590
June 30, 2003	6,811	40,690	-22,969	24,532

*Statement of changes in equity
for the corresponding period of the previous year from
January 1, 2002 until June 30, 2002*

	Subscribed capital	Additional paid-in capital	Accumulated deficit	Total shareholders' equity
December 31, 2001	6,811	40,690	-15,455	32,046
Result-affecting changes in equity:				
-Consolidated net loss from January 1 to June 30, 2002			-2,512	-2,512
June 30, 2002	6,811	40,690	-17,967	29,534

Explanatory notes

General explanations / changes in consolidated companies

The accounting and valuation methods were continued in accordance to the IAS consolidated financial statements per 2002-12-31. There were no relevant changes compared to the notes of the consolidated financial statements mentioned above. As part of a management-buy-out our *responsif Therapeutic Solutions* division has been spun-off into the *responsif GmbH* effective as of January 1, 2003. The *responsif GmbH* is not to be consolidated according to IAS 27 and SIC 12.

The statement of income for the previous year includes research and development cost (TEUR 1,727) and other income (TEUR 95), pertaining to the previous *responsif Therapeutic Solutions* division.

Balance sheet development and overall liquidity

The balance sheet total per 2003-06-30 amounted to TEUR 26,537 and was reduced by TEUR 3,046 in comparison to 2002-12-31.

In the reporting period of Jan. 1 through June 30, 2003, the november group invested about TEUR 104 (previous year's period: TEUR 393) into property, plant and equipment. Moreover, non-current assets at a book value of TEUR 440 have been sold to the *responsif GmbH* in the reporting period.

The overall liquidity of the november group amounted to EUR 11.4 million at the end of the second quarter of 2003 (2002-12-31: EUR 15.9 million). It consists of the balance sheet position "Cash and cash equivalents", "Short-term investments/marketable securities" and a borrower's note, which is included in the positions "Other current assets". At the end of the first half of the year, total liquidity amounts to 43% of the balance sheet total. According to the board of directors, these financial funds are a convenient basis to develop our divisions *identif Technologies* and *directif Therapeutic Solutions* until break-even.

The reduction in the balance sheet positions "Other current assets" and the position "investments" stem from the scheduled repayment of the borrower's note, as well as a regrouping of due investments. Furthermore, a TEUR 250 loan was issued to the *responsif GmbH* as start-up financing; it is shown in the position "investments".

The position "Trade accounts receivable" increased by TEUR 795 to TEUR 1,257 in the reporting period. For the most part, this relates to services provided by november AG to *responsif GmbH*, as well as receivables from the sale of property plant and equipment.

In accordance to the relevant IAS standards, the deferred tax assets were increased to TEUR 9,532 (2002-12-31: TEUR 8,629). The calculation is based on a corporate tax rate of 38 percent and 25 percent respectively, 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 of the first half of the year 2003, the total amount of current and financial liabilities was reduced by TEUR 1,462 to TEUR 1,863.

The shareholders' equity per 2003-06-30 was reduced to TEUR 24,532 by the full amount of the net loss of the reporting period of TEUR 1,590 in comparison to 2002-12-31. The equity ratio remains unchanged at 92 percent of the balance sheet total.

Based on the XETRA closing price on 2003-06-30, the company's market cap totaled EUR 22.1 million.

Research and development expenses, other operating expenses

In the first six months of 2003, research and development expenses amounted to TEUR 1,736 (previous year's period: 3,064 TEUR). Last year's figures include R&D expenditures of TEUR 1,727 of the *responsif Therapeutic Solutions* division. Adjusted R&D costs increased by 30% from last year. R&D expenditures for each division are as follows:

Figures in TEUR	identif Technologies	directif Diagnostic Solutions	Others	Total
01/01 – 06/30/03	718	1,018		1,736
01/01 – 06/30/02	556	781	1,727	3,064

The research and development expenses of the reporting period are essentially made up of personnel expenses, expenses for outside services, cost of materials, expenses for patents and premises, apportionment of overhead and management cost, as well as depreciation on R&D-equipment.

Selling and marketing expenses pertain to the *PEQLAB* operations and the costs associated with the market launch of *identif Technologies*. They are up 9% from last year's reporting period (TEUR 921) to TEUR 1,001 in the first half of this year.

General and administrative expenses have been consequently reduced throughout the first six months of 2003 and amount to TEUR 676. This is a 40% cost reduction compared to expenditures of last year's reporting period (TEUR 1,134).

In the reporting period, other operating expenses total TEUR 391 (previous year: TEUR 130). Apart from corrections for restructuring expenditures (TEUR 72) and other expenses, costs of TEUR 284, which incurred in association with services provided to *responsif GmbH* by november AG, are included herein.

Other operating income of the reporting period amount to TEUR 632 (previous year: TEUR 347). They are related to services provided to *responsif GmbH* (TEUR 280) and particularly to grants received from public bodies (TEUR 223).

Outside the scope of the operational income, costs for stock market listing and Designated Sponsoring (equity related costs) of TEUR 53 are displayed under the position of "Other expenses" within the financial result.

Operating result and net income for the reporting period

As a result of a rigorous cost cutting program, but also by spinning off the *responsif Therapeutic Solutions* division, the operating result of TEUR -2,467 could be substantially improved from last year (TEUR -4,295). The consolidated net result, including financial and tax result as well as minority interests, for the first half of the financial year 2003 totals TEUR -1,590, and has improved by 37% from last year's corresponding period (TEUR -2,512). The change in the accumulated deficit per 2003-06-30 to TEUR -22,970 (2002-12-31: TEUR -21,279) is completely accounted for by the consolidated net loss. Thus the undiluted earnings per share (EPS and DVFA/SG) are EUR -0.23 (previous year: EUR -0.37).

Business segment information

figures in TEUR	business segments				
	identif Technologies	directif Diagnostic Solutions	PEQLAB Biotechn. GmbH	Administration / Other	Group
Earnings 2003-06-30	3	179	1,819	444	2,445
2002-06-30	9	145	1,683	112	1,949
Operating result 2003-06-30	-1,023	-870	38	-612	-2,467
2002-06-30	-810	-638	37	-2,884	-4,295

Administrative costs for our subsidiary are included in the *PEQLAB* column. Overhead costs, which cannot be assigned to any of the divisions, as well as expenses associated with the consolidation, are summarized in the segment "Administration/Other". The figures for the previous year in this column also include the operational income (TEUR 95) and the operational result (TEUR -1,638) of the previous *responsif Therapeutic Solutions* division.

The group revenues within the first six months 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 – 2003-06-30	01-01 – 2002-06-30
Domestic	1,693	1,475
EU	42	45
Rest of World	78	82
Total	1,813	1,602

Number of shares and rights on shares of november AG, that are held by members of the executive or supervisory board of the company as well as changes concerning related parties

Board member	Shares held on 2003-06-30	Shares held on 2002-12-31
1. Executive Board		
Dr. Wolf M. Bertling (Chairm.)	599,657	888,292
Dr. Thomas Schulze (until 2003-06-30)	4,554	4,554
Hans-Dieter Tresser (until 2003-02-28)	-	-
2. Supervisory Board		
Prof. Dr. Dr. h.c. Karl Wilhelm Pohl (Chairman)	-	-
Dr. Leo Steib (Dep. chairman)	113,748	113,748
Günter Frankenne	90	90
Horst Linn	6,000	6,000
Dr. Werner J. Schönfeld	200	-
Walter Schurmann	1,641	1,641

The executive board members hold a total of 604,211, the members of the supervisory board hold a total of 121,679 of the company's shares. Dr. Bertling donated 288,635 of his shares as part of an endowment into the Nobis-Foundation for the promotion of ethics and acceptance of biotechnology, which was founded by himself.

The members of the executive board are entitled to participate in the company's employee participation program based on convertible bonds. On 2003-06-30, Dr. Thomas Schulze held 6,000 convertible bonds. Hans-Dieter Tresser, who was CFO until 2003-02-28, has returned his 10,000 bonds he held on 2002-12-31 at face value.

The company itself does not hold own shares.

Our employees

On average, 64 employees worked within the group in full-time terms throughout the reporting period from January 1 to June 30, 2003 (corresponding period 2002 on average: 89). 67 percent of them were employed in research and development (previous year: 73 percent). Besides natural turnover, the significant reduction in the number of employees resulted for the most part from the spin-off of the *responsif Therapeutic Solutions* division at the beginning of the year 2003.

On the reference date, a total of 105,049 convertible bonds at a face value of 1.00 EUR each had been issued to the employees. After a holding period of two years, but not later than five years after the issuance, the bonds can be converted into november AG stock for a price of 5.01 EUR (employee participation program 2000) or 5.60 EUR (employee participation program 2001). In the first two quarters of 2003 the number of outstanding bonds decreased by TEUR 18.

Business development during the first six months of the year 2003

In the **identif Technologies** division, research and development centered around the launch of the industrial serial-production for the labels, pens, and on-site readers of our DNA-based *brandprotection* system. As scheduled, marketing and sales efforts were significantly intensified to substantially broaden our customer base.

Bristol-Meyers Squibb (*brandprotection*, DNA) and Infineon (*brandsealing*, Cluster) continue trials of our products. In the course of a successful cooperation with the Hueck company, we advanced the development of a foil-based version of our technology for the application on banknotes. Teaming up with the company Faller, the product line was considerably expanded through the development of yet another marking variation. Furthermore, prototypes of the cluster-reader are available, now.

For the last quarters in the **directif Diagnostic Solutions** division, the modules necessary for the detection of nucleic acids in biological samples have been combined within an integrated cartridge. Currently we are validating the complete system of cartridge and analyzer using clinical assays.

The spin-off of the therapeutic division has resulted in special expenses such as the agreed-upon start-up financing of the **responsif GmbH** in the reporting period. Through the design of the spin-off we reduced a considerable development risk for november AG while at the same time guaranteeing to protect the economic interests of november's shareholders. According to information supplied by *responsif GmbH*, the company applied last quarter with the ethics commission for implementation of a clinical feasibility study last quarter. Therefore, we assume a successful continued development of the immunotherapeutic drug.

In the first quarter, *PEQLAB Biotechnologie GmbH* substantially contributed to the positive development again. After showing positive net earnings in 2002, the company achieved satisfyingly high revenues in the first half of the year 2003. The group revenues of TEUR 1,813 in the reporting period from 2003-01-01 until 2003-06-30 were generated for the most part by the subsidiary *PEQLAB Biotechnologie GmbH*. In a difficult market environment the company

was able to increase revenues by 11%. This is particularly positive because most of the sales of the *PEQLAB* operations are usually generated in second half of the year, especially in the fourth quarter. The gross margin for the first six months was 45 percent.

The careful management of the financial resources available to us is given a high priority at november AG, which can be seen, for instance, in the significant reduction of overhead costs. The total liquidity of the group amounted to 11.4 Mio. EUR by the end of the second quarter.

During the first six months of the current financial year net earnings per share (EPS and DVFA/SG) amounted to EUR -0.23 and thus remains pleasingly below previous year's net earnings per share (EUR -0.37). For this financial year we expect earnings per share, including income from deferred tax assets, between -0.65 and -0.85 EUR, which will be better than last year's EPS (-0.87). 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 consolidated first half report (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 first half report in accordance with International Accounting Standards (IAS) 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 first half report on the basis of our review.

We have conducted our review of the consolidated first half 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 first half report has not, in material aspects, been prepared in conformity with the International Accounting Standard (IAS) 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 first half report are in material aspects - not in compliance with the International Accounting Standards (IAS) 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.

Nuremberg, this 4th day in August, 2003

Rödl & Partner GmbH
Chartered Accountants
Tax Consultants

Dr. Bömelburg
Chartered Accountant

Morgenroth
Chartered Accountant

Glossary

identif Technologies	Business unit of november AG in which solutions for product security and brand protection are developed
directif Diagnostic Solutions	Business unit of november AG in which integrated systems are developed for nucleic acid testing at the →Point-of-Care
responsif GmbH	Former business unit of november AG in which novel approaches for immunotherapeutic cancer therapy have been developed. Since January 2003 spun off to a separate company.
brandprotection	System for machine-readable labeling and on-site identification of goods or packaging based on →DNA as a biotechnological code (→identif Technologies)
brandsealing	Cluster-based system for optical and machine-readable marking of surfaces, either directly or via labels (→identif Technologies)
Cluster	Signal-enhancing metal particles on a submicroscopical scale. Show strong color switch effect when incorporated into thin films. Basis for → <i>brandsealing</i>
DNA	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 code
Nucleic acid	Carrier of the genetic information. Diseases can be related to changes on the nucleic acid level (→directif Diagnostic Solutions)
PCR	Polymerase chain reaction: Procedure for the million-fold amplification of genetic material (→directif Diagnostic Solutions)
Point-of-Care (POC)	E.g. hospitals, surgeries. One example: patient near diagnostic systems from →directif Diagnostic Solutions

Your Notes

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