

...plenum...

Annual Report 2002



plenum Group key figures (US-GAAP) in € thousands	Jan. 1 – Dec. 31, 2002	Jan. 1 – Dec. 31, 2001
Revenues	47,474	64,957
Gross profit	10,265	19,369
EBITDA	–1,103	5,086
EBIT	–7,120	3,430
Group net loss	–10,657	–11,631*
Earnings per share before discontinued operations (in €)	–0.94	–1.20*
Earnings per share (in €) (undiluted)	–1.11	–1.21*
Shares outstanding (basic, in thousand)	9,577	9,577

\* with respect to the restatement of prior year figures we refer to note 10

plenum Group key figures	2002	2001
Equity ratio as at December 31	40%	61%
Net liquidity <sup>1</sup> as at December 31 (in € thousands)	10,686	6,976
DSO (Days Sales Outstanding) <sup>2</sup>	45.06	61.99
Working Capital (in € thousands)	6,853	11,005
Longterm assets / longterm debt and equity	0.3	0.4
Current assets / current liabilities	1.5	2.0
Average number of employees	399	390
Employees at year end	338	462

<sup>1</sup> Liquid funds less bank liabilities and advance payments received

<sup>2</sup> Trade accounts receivable/revenues x 360 days

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**Hartmut Skubch**  
Chairman of the  
Management Board  
plenum AG, Wiesbaden

#### Dear Shareholders and Friends of plenum

At the start of last year there were hopes of a recovery in the global economy. However, these hopes were dashed towards mid-year due to political uncertainty and the associated slump on the financial markets. In Germany, this led to a considerable downturn in overall demand and mounting unemployment.

In particular, plenum's key industries – banks, insurance companies and the telecommunications sector – suffered from declining revenues and diminishing income as a result of the continuing recession in 2002. These industries were forced to reduce their volume of investment significantly. Above all, savings were made in our service areas, the IT and Marketing field. Business development at plenum AG also suffered under these market conditions. Consequently, we had to adjust corporate planning for fiscal year 2002 at the start of the second half of the year.

On the assumption that the market situation would remain difficult, the Management Board, reformed in September, set the following priorities:

- Strengthen customer relations
- Focus the services offered
- Adapt the cost structure
- Positive development of operating cash flow
- Strengthen liquidity
- Increase provisioning measures
- Solidity of the balance sheet structure

#### Revenue development stabilizes despite market slump

At EUR 47.5 million (py: EUR 65.0 million), revenues exceeded the expectations expressed in August 2002 of EUR 45.0 million. At a total of EUR 23.4 million (H1/2002: EUR 24.1 million), revenues in the second half of the year remained stable in spite of the personnel cutback by almost 20 %. However, compared with the figure of EUR 65.0 million for the previous year, this represents a drop of some 27 %. On a pro-forma basis, taking into consideration the changes in consolidated entities at the end of 2001, this still equates to a drop of some 20 %.

## Letter to Shareholders

This primarily results from a decline in revenues of 47 % in the Communication division. In addition to the general reduction in advertising expenditure of our customers, the main factors responsible for the decline in revenues were the downturn in business at the Berlin site and the loss of a major customer. In 2002, plenum Systems compensated the weak market development in IT business solutions by expanding large-project business with existing customers and thereby stabilizing the development of revenues at the level of the previous year. Consulting benefited from the strained market situation through numerous customer projects for IT cost optimization and grew by 14 %.

#### **Positive cash flow secures the future**

The development in operating business combined with rigorous financial management resulted in positive operating cash flow despite negative impacts on earnings, in particular due to non-recurring effects in 2002.

Liquid funds rose by more than 75 % to EUR 13.3 million (py: EUR 7.5 million).

plenum has thereby laid the financial basis for the future development of the company even under persistent difficult market conditions.

#### **Weak economy and restructuring negatively impact operating results**

In 2002 the earnings situation was characterized by the weak economy, the associated price pressure and the necessary restructuring measures.

On the one hand, the expansion of large-project business stabilized revenues. However, on the other hand it reduced the margin as profit contributions from projects of this nature are considerably lower than those from normal projects. Combined with the risk provisioning required for the expansion phase, the result was a negative impact on earnings of some EUR 2.0 million.

The restructuring measures cover the reorientation of Communication – including the closure of the Channelling division at the Berlin site – the realignment of the company management and the adjustment of administration

structures. Overall, earnings were therefore subject to a one-off negative impact of some EUR 3.4 million.

#### **Risk provisioning measures create solid balance sheet structure**

As a result of the continuing poor situation of the economy as a whole and the uncertain political situation, the Management Board substantially increased risk provisions. As a precautionary measure, value adjustments were made on trade accounts receivables and provisions were increased. Overall, earnings were therefore negatively impacted by EUR 0.8 million.

In addition, intangible assets and goodwill not subject to regular write-downs were written down in full and fixed assets were written down as far as possible. These measures had a non-recurring negative impact on earnings of EUR 6.1 million. The Management deliberately took these non-recurring effects in order to achieve a sound balance sheet structure for the future.

#### High loss due to non-recurring effects

The total charges – including non-recurring expenses outside the period under review and expenditure due to tax audits totaling EUR 0.9 million – resulted in negative EBITDA for the Group of some EUR 1.1 million (py: a plus of EUR 5.1 million) and to a consolidated loss of EUR 10.7 million (py: a plus of EUR 2.9 million before value adjustments on financial assets). With a total of 9,577,068 shares, earnings per share therefore amounted to minus EUR 1.11.

#### Management Board focusing on dividends

With EUR 13.3 million in liquid funds, EUR 9.8 million in equity and an equity ratio of 40 %, the new balance sheet structure forms a sound basis for the further development of the Company.

In the annual financial statements of plenum AG, the net loss for the year was almost fully offset by writing back reserves to ensure that dividends can be distributed in future. With a positive development in the operating business and continuing economic recovery, the

Management Board plans to distribute a dividend in future.

#### Continuing focus on core competencies in 2003

In the 2002 crisis year it became clear that intensive customer relations, a focus on relevant customer needs and a high level of employee expertise and motivation are the best guarantees for the development of the operating business. We will continue to build on this recipe for success in 2003. Even if the recession continues, plenum has both the necessary reserves and the ability to adapt quickly for it to survive these hard economic times, and play an important role in any future upturn.

We are setting ourselves realistic goals in view of the current market conditions and awarding the highest priority to safeguarding the company's future. We continue to focus on the development of high-quality and creative solutions for our customers while at the same time optimizing their IT and communication costs. We are expecting a stable revenue development and positive earnings overall in 2003.

The commitment and performance of our employees deserve special recognition. In spite of a difficult market situation and increasing competitive and cost pressure, the dedication of our employees continued to guarantee satisfied customers and the stable operating development of the company in the past year.

The Management Board would like to thank all employees for their commitment and all shareholders for the trust they have placed in the company.

Wiesbaden, March 7, 2002



Hartmut Skubch  
Chairman of the Management Board



**Klaus Gröne**  
Human Resources  
Managing Director  
plenum Management Consulting GmbH



**Bernhard Achter**  
Sales  
Managing Director  
plenum System GmbH



**Heinz Stoll**  
Marketing  
Managing Director  
plenum stoll & fischbach Communication GmbH



### Strategic positioning

The difficult economic situation particularly hit our target sectors of banks and insurance companies. They now face the challenge of optimizing cost structures and also reacting strategically to the altered market situation. However, the power generation industry, logistics companies and branded goods sector, industries that plenum works for, also need to optimize their use of resources and adjust themselves to the poor state of the economy.

With creative solutions that help to shape the future and simultaneously reduce costs, we provide expert support for our customers in managing their tasks in a fair process of co-operation.

Our focus here is on the following:

- **Industrialization of service processes**  
in particular in the case of banks and insurance companies (e.g. loan factories, transaction banks, etc.)
- **Outsourcing of service areas**  
(e.g. information technology, settlement procedure, disbursement/collection, etc.)
- **Increase of efficiency in IT**  
(e.g. reorganization, IT controlling, etc.)

# plenum – The Company





- **Effective IT strategies**  
(e.g. multi-channel strategy for sales, etc.)
- **Efficient corporate communication**  
(e.g. corporate intranet as a management tool, etc.)
- **Increasing customer relations management**  
(e.g. CRM solutions, integrated brand management, etc.)

plenum covers the entire service process from strategy and design through to implementation. We use our distinctive ability to manage implementation, in particular as a general contractor, to increasingly work together with partner companies. This allows us to keep our own vertical integration flexible and we are able to adjust more easily in a persistently weak economy.

As the e-business euphoria has waned, so has the willingness of our customers to launch joint projects by the core business, Marketing and IT departments. plenum has responded to this and has placed greater focus on the individual company divisions.

plenum Management Consulting represents:

- Business reengineering and organizational development
- Strategic orientation of IT and efficiency increase in IT
- Communication strategies and concepts

Trust, which has grown over the course of many years as a result of successful cooperation with top management, is a very good basis for the future development of business, especially in tough times.

Our system integrator, plenum Systems, stands for:

- Innovative software development
- Modern software architectures
- Complex integration and migration projects
- Systematic IT training

With the successful entry into large-project business at the end of 2001, plenum managed to step up its profile in the field of complex system integration and innovative application development, and simultaneously established itself as a general contractor for the management of large-projects.

The range of services offered by the agency plenum Communication covers the following in particular:

- Integrated brand management across all forms of media
- Development of company portals
- Development of e-commerce solutions

In addition to designing and developing cross-media communication solutions, the agency continued to strengthen its ability to manage complex communication processes for customers.

The increased profiling of individual company divisions is a reaction to changed customer needs. Considerable synergies are realized in the background by interdisciplinary teams in joint customer projects. This provides us with considerable cost and quality advantages in the current difficult market situation.

## Selected customers

Aachener und Münchener Versicherung  
Andreas Stihl AG  
AXA Konzern AG  
Axpo AG Zürich  
Bank Vontobel  
Bausparkasse Schwäbisch Hall  
Bayerische Landesbank  
Berufsgenossenschaften  
(German Occupational Health and Safety Agencies)

BHF Bank  
boerse-stuttgart AG  
bruno banani  
Deutsche Krankenversicherungs AG  
Deutsche Lufthansa  
Deutsche Post  
ERGO-Konzern  
Henkel KGaA  
Kreditwerk

Landesbank Hessen-Thüringen  
Microsoft  
Porsche  
R+V Versicherung AG  
SIGNAL IDUNA Gruppe  
Sparkassen Versicherungen  
T-Mobile Deutschland GmbH  
Victoria Versicherung AG  
Wella AG



If our customers describe plenum as competent, innovative and fair within an image analysis by the Metagroup, then this is the result of successful projects carried out by our employees. The expertise and commitment of our 338 employees form the basis for the success of the company both now and in the future. The prerequisites for this are qualities such as team spirit and a focus on success, which constitute part of the active corporate culture.

Our managers play a key role in this. Their highly-motivated approach sets an example when managing employees on projects and they point the way for young colleagues, in particular in terms of developing expertise and products in the services areas.

## Our Employees



### Challenging and promoting high performers

In order to encourage, further develop and promote loyalty amongst employees with potential and high performers, the management development program was expanded considerably in fiscal year 2002. Company-wide seminars promoted the transfer of expertise and integration and general cooperation within the company divisions were further intensified. Moreover, this promoted a direct communication and discussion forum with the Management Board.

### Review and continued professionalization

Following the expansion of the Management Board in September 2002, the new Personnel Director, Klaus Gröne, instigated a review to identify areas for action and opportunities for improvement.

The measures focus on optimizing personnel-related processes and extending internal training activities. A training program for 2003 was approved. This concentrates on transferring project management expertise, specialist

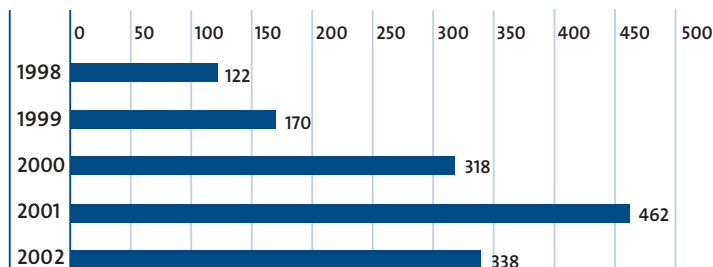
knowledge and knowledge of methods as well as communication and management competencies.


As a further step towards encouraging high performers and employees with potential, career development planning and a program to promote management trainees will be developed this year.

### Performance-related remuneration policy

For nearly every employee, part of their income is linked to performance and earnings. Project employees are remunerated on the basis of their productivity in a project. For both executives and managers, appropriate profit sharing and individual target agreements are regular parts of their remuneration. Moreover, exceptionally high performers are offered an additional capital market-oriented incentive within the context of a stock option program. However, this program was not implemented in 2002 due to poor development on the stock market.

### Number of employees at year's end





We are not satisfied with the development of the plenum share price in 2002. The share price fell continuously over the course of the year and did not bottom out until the fourth quarter at some EUR 2 per share. Although this development was largely in line with that of the Neuer Markt – as shown by the graphic of the relative share price performance – the plenum share, like smaller securities overall, suffered somewhat more than the index. In part, this development was due to the adjustment of the financial target figures in August 2002. Although this adjustment was understandable against the background of the economic development, it still impacted the share price.

Over the course of the past 14 months, the Neuer Markt lost 70 % by the end of February 2003 while the price level of the plenum share deteriorated by some 80%. This development was largely triggered by the fact that institutional investors concentrated on more highly capitalized securities, if they retained any investment in this segment at all.

## plenum's Share

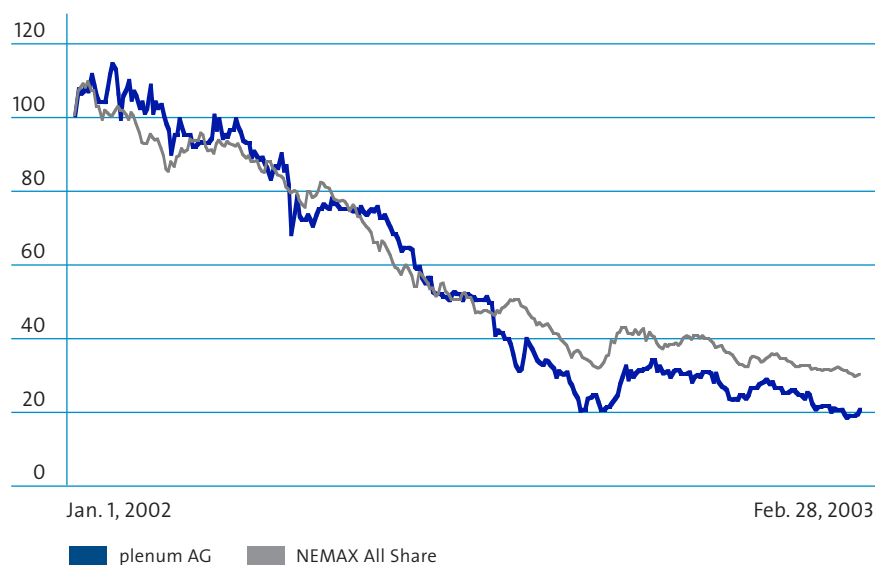


At year-end 2002, net liquidity amounted to 82 % of the market capitalization of plenum AG. In addition, we currently have a high order level of more than EUR 17 million and reduced our fixed costs rigorously and significantly over the course of 2002. We therefore believe that the valuation of the share currently has considerable upside potential.

As a result, our investor relations activities this year will focus above all on keeping the share's risk profile as low as possible by means of an active communication policy. The improved environment of the Prime Standard, compared with the poorer image that the Neuer Markt had to contend with, should also contribute to this. We therefore applied early on for inclusion in this new market segment, which has now been granted by Deutsche Börse.

plenum has not only undertaken to adhere to the strict principle of public disclosure in the new stock exchange segment, but has also documented its willingness to manage the company transparently with its first declaration relating to the German Corporate Governance Code. This highlighted the

#### Share price performance 2002 (indexed)



significance of the principles of value-oriented and transparent company management and control for plenum.

#### Information and key figures on plenum's shares

Trading Data		Key figures 2002		Company Information	
German Sec. Code/	690 100/	Closing price (Dec. 31)	€ 1.70	Capital stock (Dec. 31)	€ 9,577,068
ISIN	DE0006901002	Market capitalization (Dec. 31)	€ 16.3 million	No-par value shares (Dec. 31)	9,577,068
Exchange symbol	PLEG.F, PLE NM	High/low price 2002	€ 7.70 (Jan. 22)/ € 1.37 (Sept. 27)	<b>Shareholder structure</b>	
Trading segment	Neuer Markt Frankfurt since Jan. 2003: Prime Standard Frankfurt	Designated Sponsor	Landesbank Baden-Württemberg	Management & founders	50 %
Stock exchanges	All eight German stocks exchanges plus Xetra	Weighting in NEMAX All Share (Dec. 31)	0.10 %	Free float	50 %
First day of trading	August 3, 1998	Weighting in NEMAX IT-Services (Dec. 31)	2.40 %		



During the financial year, the Supervisory Board carried out its duties as stipulated by law and the Company's articles of association. It also advised the Management Board and monitored its work.

In five meetings in 2002, the Supervisory Board discussed the situation of the company, strategic business planning and the development of the individual divisions with the Management Board. In addition, current events were dealt with by telephone or face-to-face between members of the Supervisory Board and the Management Board. Furthermore, Supervisory Board resolutions were made in writing.

In the relevant meetings and in the context of quarterly reporting, the Management Board extensively informed the Supervisory Board of the development of business and the economic situation of the company, its subsidiaries and its participations. This was carried out verbally and in writing.

In its meeting in March 2002, the Supervisory Board examined the annual financial statements of plenum AG for 2001 and discussed them with the auditor.

In this process, the treatment of write-downs on investments in line with the German Commercial Code and US-GAAP was described in detail. The annual financial statements were approved by the Supervisory Board and thus adopted.

In its meeting in June, the committee dealt with the development of business and the financial result of the first quarter as well as the preparation for the Annual General Meeting. In August, discussions focused on the results for the second quarter.

Following the departure of the previous Finance Director Mr Thomas Reuther in September, the Supervisory Board appointed a representative from the management teams of each of the subsidiaries to the Management Board. Consequently, Messrs Bernhard Achter, Klaus Gröne and Heinz Stoll are each responsible for their own division as well as an inter-company function on the Management Board.

The new Finance Director is Mr Hartmut Skubch, who was also appointed Chairman of the Management Board. As a result of this extension of the Manage-

## Supervisory Board Report

ment Board, the operating units responsible for the success of plenum have been more strongly integrated into the management of the overall company.

At its meeting in October, the Supervisory Board discussed the Management Board structure, the distribution of functions in the Supervisory Board and the strategic options for plenum in the changing stock market environment.

The report for the third quarter and the expected development of business up to year-end were on the agenda at the meeting in November. The Management Board submitted its planning for 2003, which takes into account the uncertain and strained economic situation. The Supervisory Board approved this planning.

At the beginning of the year, in several conference calls, the Supervisory Board discussed with the Management Board the significant increase in risk provisioning and the conservative writedown of goodwill and intangible assets. Furthermore, the Supervisory Board made verbal

and written resolutions on current issues after consultation by telephone.

The annual financial statements of plenum AG and the consolidated financial statements in line with US-GAAP to December 31, 2002, together with the accounts, were audited by the auditing company Deloitte & Touche, who issued an unqualified audit certificate.

These documents as well as the audit report by the auditor were submitted to the Supervisory Board. They were examined by the Supervisory Board and discussed in the presence of the auditor. The Supervisory Board endorsed the result of the audit by the auditor and according to the results of its own review, no objections are to be made. In its meeting on March 25, 2003, the Supervisory Board examined the 2002 consolidated financial statements. It issued written approval of the 2002 annual financial statements of plenum AG, thus adopting them.

The Supervisory Board wishes to thank the employees and the Management Board of the company for their excellent

work in the past fiscal year, which resulted in stable development of the operating business despite the difficult economic situation.

Wiesbaden, March 2003  
The Supervisory Board



Michael Bauer  
Chairman



# Corporate Governance Report



## Corporate Governance at plenum

“Corporate governance” refers to responsible management and monitoring of companies, oriented towards long-term value creation. Key aspects are attention to the interests of shareholders in the company, efficient cooperation between the Management Board and the Supervisory Board, as well as an open, transparent communication policy.

The Management Board and Supervisory Board of plenum AG are committed to a sustained increase in the value of the enterprise, and work closely together for the good of the company. Therefore, the German Corporate Governance Code did not necessitate any serious changes to current management and monitoring practices at plenum AG.

On December 17, 2002, the Management Board and Supervisory Board submitted the first declaration of conformity with the recommendations of the Government Commission on the German Corporate Governance Code in line with §161 of the German Stock Corporation Act, and made it permanently available to shareholders on the company's website. The company currently conforms to the

recommendations of the Code with few exceptions. This primarily results from the size of the company and the structure of its administrative bodies. plenum also complies with many aspects of the proposals in the Code.

## Shareholder Rights

The shareholders of plenum AG take up their rights at the Annual General Meeting, where they exercise their voting rights themselves or have the opportunity to have their voting rights exercised at the Annual General Meeting by a proxy of their choice or an instructed proxy from the company.

The convening of the Annual General Meeting is announced in journals for statutory stock market notifications and via financial service providers and shareholder associations. Relevant documents for the 2003 Annual General Meeting are also to be made available on the internet.

## Cooperation between the Management Board and Supervisory Board

The Management Board reports regularly, without delay and comprehensively

on all relevant matters regarding the development of the company. The information and reporting obligations of the Management Board are stipulated by the Supervisory Board. They primarily cover the strategic approach, the course of business, the situation of the Group, including the risk situation and risk management, and corporate planning. Deviations of the course of business from the prepared plans and targets are explained in detail. Decisions on the strategic approach of the company are coordinated with the Supervisory Board, and in specific cases require its approval in accordance with the Company's articles of association.

In contrast to the proposals of the Code, the D&O insurance policies for the members of the Management Board and Supervisory Board of plenum AG include no deductibles. plenum believes that the motivation and high level of responsibility with which its executive managers currently carry out their functions will not be affected by such an insurance-related regulation.

### Management Board and Supervisory Board: Composition and Regulations

The Management Board of plenum AG currently has four members. The Chairman is the founder of the company, Hartmut Skubch.

Besides the allocation of areas of responsibility and regulations on the cooperation of members of the Management Board, the Rules of Procedure of the Management Board contain provisions regarding reporting obligations in relation to the Supervisory Board. In addition, there are regulations concerning decisions that must be taken by the entire Management Board, as well as a catalogue of transactions that require the approval of the Supervisory Board.

The Supervisory Board of plenum AG currently has three members and has not formed any committees to date. Nor has it required any formalised Rules of Procedure to date. The preparation of Rules of Procedure in accordance with the recommendations of the Code will be completed in the 2003 financial year.

Members of the Management Board and Supervisory Board immediately notify the Supervisory Board of conflicts of interest. During their employment at plenum AG, members of the Management Board are subject to a comprehensive prohibition of competition obligation. The pursuance of additional activities requires the prior approval of the Supervisory Board. Transactions by a member of the Management Board with the company are to be concluded on behalf of the company by the Supervisory Board.

In the past financial year, there were no conflicts of interests towards the company on the part of members of the Management Board and Supervisory Board. In the year under review and with the approval of the Supervisory Board, loans were granted to Hartmut Skubch, Chairman of the Management Board of plenum AG.

Advisory and other service agreements and work contracts between a member of the Supervisory Board and the company require the approval of the Supervisory Board. There is currently a service agreement with the Chairman of the Supervisory Board, Michael Bauer, regar-

ding work as instructor during IT seminars at plenum Systems. In addition, Dr. Händel, a member of the Supervisory Board of plenum AG, supports the Finance department of plenum AG in the context of an advisory agreement.

Additional mandates of the members of the Management Board and Supervisory Board are set out at the end of the financial report.

### Management Board and Supervisory Board: Remuneration

The members of the Management Board receive fixed and variable remuneration components. In addition to the bonus, the Supervisory Board can also issue stock options to the members of the Management Board as a further variable remuneration component. In addition to the functions and performance of the members of the Management Board, other significant criteria for remuneration include the performance of the company in the previous fiscal year, the economic situation and the future prospects of the company.

For the fiscal year 2002 remuneration of the members of the Management Board totalled EUR 1,338,000. Variable remuneration accounted for EUR 263,000 of this total. 5,000 stock options were granted to members of the Management Board in 2002.

In accordance with § 13 of the Company's articles of association, in addition to reimbursement of their cash outlays, the members of the Supervisory Board currently receive remuneration consisting of a fixed component of EUR 5,000 and an attendance fee of EUR 1,000 per meeting. The fixed remuneration is double for the Chairman. In fiscal year 2002 the members of the Supervisory Board received remuneration totalling EUR 20,000.

#### Transparent Communication

Company information, primarily ad-hoc notifications, press releases and reports, is made available to all target groups via the internet at the same time. Here, plenum also publishes notifications of shareholders who have reached threshold levels of voting rights in the company by means of purchase, sale or in any

other way, as well as notifications of members of the executive bodies regarding the purchase or sale of plenum shares in accordance with § 15a of the German Securities Trading Act.

In addition, the shareholders are informed of key dates by means of a financial calendar, which is published in the Annual Report and on the company's website.

#### Accounting and Audit of Annual Financial Statements

plenum prepares its accounts in accordance with the regulations of US-GAAP. During the financial year, the company provides information on the current course of business in quarterly reports. When publishing its interim reports, plenum continues to adhere to the statutory stipulation of 60 days for cost reasons, and does not follow the proposals of the Code here.

The Chairman of the Supervisory Board has agreed with the auditor, Deloitte & Touche of Frankfurt, that he shall be informed immediately of the occurrence of any potential reasons for exclusion or

prejudice that occur during the audit. Furthermore, he shall report to the Supervisory Board on all material assessments and events occurring in the implementation of the audit of the annual financial statements which are relevant to the functions of the Supervisory Board. It has also been agreed that the auditor shall inform the Supervisory Board or indicate the fact in the audit report if in the implementation of the audit of the annual financial statements facts are determined which result in the incorrectness of the declaration issued by the Management Board and Supervisory Board in accordance with § 161 of the German Stock Corporation Act.



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# Management Report

## Market and industry development

### Sustained weak economy

General economic conditions remained extremely difficult in fiscal year 2002. Although the global economy picked up speed on the heels of the temporary recovery in the US, this trend proved short-lived, with growth falling off substantially by the summer. As a result, the upturn that was slated to begin in the second half of the fiscal year failed to materialize. In particular, investment activities remained very weak in the industrial and service sectors, which are of particular importance to our Systems and Consulting segments.

Private consumption thus represents the mainstay of the global economy at present. In the US, consumption remained at an encouraging level and allowed for real GNP growth of 2.4% in 2002. However, a very different scenario prevailed in Europe – particularly in Germany. Higher perceived inflation following the changeover to the euro as of January 1, 2002 initially caused a sharp decline in German private consumption and thus

particularly affected customers in our Communication segment. There were no signs of significant recovery in the second half of the fiscal year; instead, fears of war and a high degree of job uncertainty set in. The euro zone thus recorded GDP growth of only around 1% in the past fiscal year, while Germany remained well below this average with growth of 0.4%.

### Recessionary market development

plenum's key markets experienced a distinct lack of positive trends in fiscal year 2002. Most notably, a reluctance to invest plagued the financial services and telecommunications sectors, which were hit particularly hard by the recession.

As a result, the information technology and telecommunications market declined for the first time in 2002, shrinking by 1.3% to EUR 136 billion, as reported by BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Media e.V.), the association for the German TMT industry. Even previous growth drivers in the sector recorded

decreased revenues: software revenue fell by 0.8% to EUR 15.1 billion, and IT services were slightly below the prior year level at EUR 29.2 billion (–0.3%).

Revenue from management consulting services remained virtually unchanged in 2002, according to the Bundesverband Deutscher Unternehmensberater BDU e.V. (German Association of Management Consultants): total revenue amounted to EUR 12.3 billion (previous year: EUR 12.9 billion). However, compared to past growth rates of over 10%, this represents a substantial slowdown. The organizational and IT consulting market, which is relevant for plenum, remained largely stable in 2002.

According to the Zentralverband der deutschen Werbewirtschaft (ZAW – German Advertising Federation), revenues in the communications sector did poorly, falling by around 5% to EUR 30 billion (previous year: EUR 31.5 billion). The only substantial growth was in Internet advertising, which rose by more than 10 percent. All other advertising media recorded decreases in revenue.

These market developments caused further consolidation among IT and communication service providers in 2002. This resulted in reduced revenues and earnings for many providers, with many financially weak companies being forced out of the market.

### Strategy adjusted

plenum positioned itself as a provider of integrated solutions at the beginning of fiscal year 2001 following the expansion of its expertise in the communication market. Although the expansion of the Company's service offering was met by a positive customer response, the sharp decline in the overall economic environment and the general slump on the e-business market in particular caused demand for integrated solutions to remain well below expectations during the first half of 2002.

After economic forecasts for the second half of 2002 indicated yet another delay in the expected economic recovery, plenum responded with specially targeted measures. With the closure of its Berlin location and the reduction in staff –

particularly in its agency business – the Company systematically adjusted its cost structure in line with the drop in the market. At the same time, the Company reduced its revenue forecast for the current fiscal year to EUR 45 million.

As a result of the economic slowdown, customer demand across almost all sectors concentrated on realizing potential cost-savings and implementing optimization measures. In response, plenum systematically shifted the focus of its service portfolio to reflect these requirements. In the consulting business in particular, our many years of experience in implementing similar projects provided us with a valuable competitive edge.

Likewise, we leveraged our many years of experience in a wide variety of communication media to develop individual yet cost-efficient solutions for customers in our agency business.

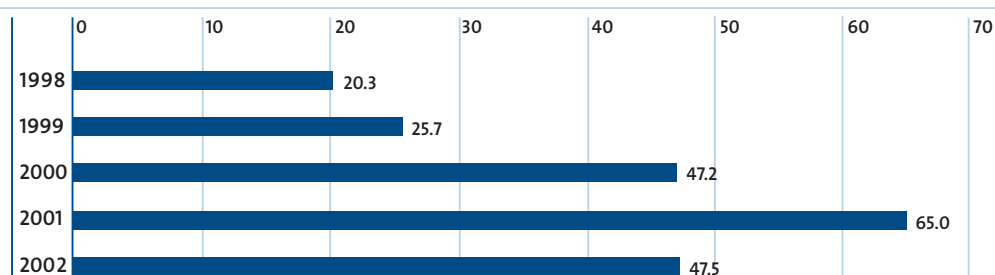
plenum Systems was largely able to compensate for the weak market trend by successfully expanding its large-project business and assuming the role of lead manager in certain projects.

We consolidated our long-term business relationships with our customers by providing intensive, personalized customer service. In addition, we drove forward the optimization of our sales structures by developing a systematic account management function and expanding the Company's industry-focused sales organization.

### Business development in 2002

plenum AG's business development in 2002 was primarily influenced by the weak economy and the reluctance to invest that characterized the IT sector. After the Company failed to meet growth targets in its systems business in the first half of the fiscal year and significant declines in revenue in its agency business became apparent, the Management Board adjusted its forecasts accordingly. Thanks to plenum's strong market position and excellent customer relationships, we recorded stable revenue growth (EUR 23.4 million) in the second half of 2002 and thus exceeded our revenue forecast of EUR 45.0 million by EUR 2.5 million. However, compared with the prior-year figure of EUR 65.0 million, this represents a decrease of around 27 %.

### Revenue development



Revenues (in € million)

Adjusted for the reduction of the Company's interest in plenum Systems Schweiz AG (now aloba AG) to 15 % and the resulting deconsolidation of this company (since 12/1/2001), as well as the downsizing of the training business, 2001 revenue totaled around EUR 60 million on a comparable basis. This corresponds to a decrease in revenue of around 20% on a pro forma basis.

This decrease was primarily due to business development in the Communication business unit, which recorded a sharp drop in revenue of 47% as a result of general cuts in corporate advertising budgets and the loss of a large customer. Growth in the consulting business (+14%) and the stagnating systems business were unable to offset this development.

The Company's revenue was generated almost exclusively with customers in German-speaking countries. Key sectors were the insurance sector, which accounted for around 38% of revenue, banks and savings banks with almost 16 %, the fashion and textile industry – primarily in the Communication business unit –

with around 11%, as well as utilities and logistics companies with a total of almost 8%. The Company's ten key customers accounted for 52 % of its total revenue.

plenum's earnings situation in 2002 was adversely affected by the weak economy, value adjustments, precautionary measures taken as a result of our conservative outlook towards future business development, as well as restructuring measures.

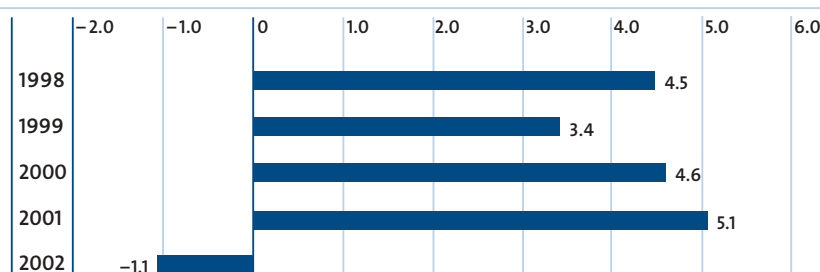
The effects described in detail on the following pages thus led to consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of around EUR –1.1 million (previous year: EUR + 5.1 million) and a consolidated net loss of EUR -10.7 million (previous year: EUR – 11.6 million). This corresponds to earnings per share of EUR – 1.11 for 9,577,068 no-par value shares.

#### Cost structure analysis

The decrease in the Company's gross margin from 30 % to 22 % was primarily due to increasing price pressure in the second half of the fiscal year in particular and the lower-margin large-project

	48,778	89,678
	78,351	117,451
	11,737	74,637
	29,500	70,400
	41,115	84,015
	61,991	104,891

#### EBITDA development



EBITDA (in € million)

business. As a result of the current market situation, many customers are expecting additional services without paying additional charges. This is compounded by the fact that some of our large competitors are offering their services free of charge in an effort to offset their capacity problems.

plenum intensified its activities in the large-project business in fiscal year 2002 in order to further reduce its dependence on economic developments through longer-term contracts. The contribution margins of such projects are generally significantly lower than the contribution margins of typical projects. The Company's gross profit declined as a result of the above-mentioned increase in price pressure and, in addition, a provision set up for the large-project business in the amount of EUR 0.8 million or 2 % of revenue.

A closer look at the development of revenue per employee over the course of the year reveals that plenum's restructuring measures are already having a positive effect. Although this figure declined from TEUR 167 to TEUR 120 on

average over the year, a comparison between the first half of 2002 and the second half of 2002 shows a clear improvement from TEUR 56 in the first half to TEUR 67 in the last six months.

The cost of purchased goods and services fell by a total of around EUR 2 million to EUR 16.1 million. The significant decrease in purchased goods and services for production services in traditional advertising were partially offset by the increase in this item within the framework of large-projects. With an overall decrease in revenues, the ratio of the cost of purchased goods and services to revenues rose from 28 % in 2001 to 34 % in 2002.

The success of the cost reduction measures taken in the past fiscal year is reflected in the significant decline in general and administrative expenses (–23 % against the previous year), although these, among others, still reflect charges resulting from changes in the Management Board. Selling and marketing expenses also decreased slightly. However, sales activities were intensified compared with business volume, as is apparent from the rise in the selling expenses ratio from 9 % in fiscal year

2001 to 12 % in fiscal year 2002. At EUR 2.3 million, research and development remained at approximately the prior year's level (EUR 2.4 million). The Company's R&D activities were concentrated mainly on the systems and consulting segments and were focused on developing reusable components. Total personnel costs declined from EUR 27.3 million in 2001 to EUR 25.8 million in 2002, despite being heavily burdened by severance payments (totaling around EUR 1.2 million).

Other operating expenses rose sharply versus the prior year by EUR 3.7 million to EUR 4.1 million. 82 % of this increase was due to a write-off of intangible assets in accordance with the Company's conservative outlook towards future business development. In addition, other operating expenses were disproportionately impacted by the rise in value adjustments for trade accounts receivable. The aging structure of the Company's receivables, combined with the higher frequency of bad debts and the crediting of customer accounts after invoicing, led to an increased number of write-downs in the second half of 2002 in particular.



Goodwill arising from the traditional advertising (Communication segment) and training (Systems segment) business areas was written-down after their earnings forecasts for the coming years were reevaluated at the end of 2002. Goodwill was written-down in full. Thus, no further expenses will be incurred from this position in the future.

The disposal of marketable securities had a positive effect on earnings. The Company generated income of EUR 1.0 million from the disposal of its investments in digital advertising AG and DataDesign AG.

The extraordinary items resulted from the provision for reimbursed costs for a board member. These costs are of a non-recurring nature and cannot be classified to the results from continued activities.

The discontinuation of the Channeling business unit (Communication segment) in fiscal year 2002 led to expenses from discontinued activities that reduced the Company's consolidated earnings by around EUR 1.6 million.

#### **Adjustment of prior-year figures**

After restatement of prior-year figures, the investment results significantly improved by EUR 15.5 million. Other investments were fully written-down in the prior year. Profits of EUR 1.0 million were generated from the sale of marketable investments in 2002. Further proceeds are not expected. The disclosures made in the management report take into account the restatement of prior-year figures.

#### **Disclosures regarding plenum's net assets and financial position**

The Company increased its cash and cash equivalents by 77% from EUR 7.5 million to EUR 13.3 million as of the end of fiscal year 2002, thanks in particular to the significant improvement in its cash flow from operating activities versus the prior year, which rose by EUR 7.1 million to a total of EUR 6.4 million. plenum has thus fully realized its goal of securing the Group's independence and continued existence, particularly in the difficult economic situation at present. Although the increase in cash and cash equivalents



was also due to gains from the disposal of securities and tax refunds, that together totaled around EUR 1.8 million, the positive development of the Company's cash flow from operating activities proves that plenum's business model was able to hold its own on the market. The large-project business in particular allowed us to reduce the Company's working capital by around EUR 4 million. However, in light of the continuing price pressure, we do not expect that this positive cash flow development will be repeated in 2003 to the same extent.

plenum had already intensified its active receivables management at the end of 2001. In fiscal year 2002, receivables management and dunning procedures were centralized as part of the Group-wide centralization of financial reporting and accounting. The success of these measures can be seen in the substantial reduction in trade accounts receivable versus the prior year, which fell by EUR 5.2 million or 47 %.

The decline in prepaid expenses and other current assets was primarily due to the refund of tax prepayments.

Fixed assets including goodwill decreased substantially in 2002, primarily as a result of the unscheduled write-downs on intangible assets and goodwill, that were not subject to scheduled amortization. The capitalization ratio (fixed assets to total assets) thus fell from 26 % in 2001 to 12 % – an appropriate level for a services company. The halt on investment that was imposed Group-wide in 2002 in response to the economic situation also proved effective, although investments will be restored to their normal volume in 2003 in order to ensure the maturity structure of the Company's noncurrent assets and thus the reliability of its IT infrastructure in particular.

Changes in trade accounts payable, advance payments received and other accrued liabilities mainly resulted from plenum's large-project business, which has a different financing structure than its normal project business. Current liabilities are almost completely covered by cash and cash equivalents.

Although the Company's equity ratio decreased from 61 % to 40 % versus the prior year, it still remained at a high level.

At the same time the balance sheet total was significantly written back as a result of improvements in working capital and adjustments to various balance sheet items.

plenum's long-term financing position – the ratio of noncurrent assets to long-term capital – improved slightly year-on-year. However, the Company's short-term financing position, – the ratio of current assets to short-term capital – declined versus the prior year. Nevertheless, the Company's current assets clearly exceed its short-term capital, giving it a sound financing structure in both the long and short term.

## Segment reporting

### plenum Management Consulting

Following strong growth in the previous year, plenum Management Consulting increased its gross revenues by a further 14 % to EUR 12.0 million in fiscal year 2002. Thus, the business unit contributed around 24 % to the Group's gross revenues. In the second half of the year, the segment's consultants were increasingly deployed in large-projects in other business units as well. Net revenues declined noticeably from EUR 2.6 million in the third quarter to EUR 2.0 million in the fourth quarter due to the fact that our customers postponed a number of their investment decisions until the first or second quarter of 2003.

plenum Management Consulting once again demonstrated its earnings power, generating an internal operating profit of EUR 2.9 million (previous year: EUR 3.0 million). Despite difficult market conditions, intense competition and price reductions, the business unit's operating margin of 24 % remained at a very high level.

As a result of the overall economic situation, customer demand in fiscal year 2002 focused on cost reduction and restructuring projects. In an intensified competitive environment, long-term customer relationships and successful cooperation on projects often proved to be the deciding factors in favor of plenum Management Consulting. The stable revenue development in the past fiscal year was also primarily due to the continuation of projects for existing customers as well as the extension of contracts to include additional tasks.

After successfully completing an IT outsourcing project for a large international aerospace company, our consultants were commissioned to identify optimization potential in the area of personnel management and to develop suitable implementation options. Within the framework of its long-term, successful support of a large IT merger project in the Swiss utilities market, Consulting continued to collaborate on the development of strategic IT guidelines and the elaboration of the project portfolio.

In the fiscal year, the business unit significantly intensified its collaboration with IT-ERGO, the IT company of the ERGO Group, for whose formation two years ago plenum provided substantial support. plenum Management Consulting is currently optimizing IT-ERGO's organizational structure.

Of particular note in fiscal year 2002 was the fact that customers began to demand more in-depth implementation expertise from their consulting companies. This allowed our consultants to demonstrate once again their many years of experience in the implementation of IT outsourcing projects with the establishment of a consolidated data center for Süddeutsche Sparkassenversicherungen (south German savings bank insurances). The data center successfully commenced operations at the beginning of 2003.

Deutsche Lufthansa is also awaiting the implementation of a concept developed by Consulting to restructure information management for Lufthansa's Passage

airline business; the implementation of this concept will allow Lufthansa to realize the identified optimization and cost-cutting potential.

A further proof of our successful cooperation in interdisciplinary project teams was provided by a project involving the establishment of an e-bank for a financial services provider. Employees from plenum Management Consulting, plenum Systems and plenum Communication were involved in all stages of the project – from strategic business planning and conception, through to the establishment of a process-oriented IT architecture and portal conception.

### plenum Systems

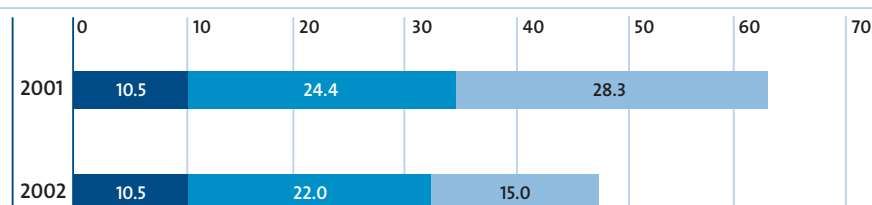
With gross revenues of EUR 23.4 million, plenum Systems remained the most significant revenue driver in the plenum Group, contributing 46 % of the Group's gross revenues. Revenues declined slightly from the prior-year figure of EUR 25.8 million. Adjusted for the reduction in the Company's interest in plenum Systems Schweiz AG (now aloba AG) and the resulting deconsolidation of this company, as well as the downsizing of the training business, 2001 gross revenues totaled around EUR 21.8 million on a pro-forma basis. The business unit thus recorded an increase in revenues of around 8 %.

The business unit's revenues remained at a stable, high level throughout 2002. This was primarily due to plenum Systems' successful expansion of its large-project business as well as the acquisition of important new customers. As a result, the business unit stabilized revenues and offset the loss of other orders, despite the fact that the economic situation led to significant reluctance to invest and order cancellations in the systems integration business.

Compared to the prior year, the internal operating profit underwent a sharp decline to EUR 0.1 million (previous year: EUR 2.9 million). However, the fact that a positive operating margin was generated despite the difficult market conditions, continuing price pressure and a substantial increase in sales activities demonstrates the business unit's solidity.

In fiscal year 2002, plenum Systems established itself as a solutions partner and lead manager in several large-projects. For example, a large-project for ING BHF-BANK Aktiengesellschaft was successfully completed on schedule in the third quarter after a project duration of approximately 14 months. However, the key event in the past year was the business unit's role as lead contractor in the development of the BG-Phoenix software. Within the framework of its strategic partnership with the occupational health and safety agencies involved in this project, plenum became the manager of the development project: In one of the largest innovative IT projects in Germany, all of the processes in force in the various occupational health and safety agencies will be translated into an integrated application featuring

Segment structure in plenum's core business revenues (in € million)



Consulting Systems Communication  
Not including other revenues

state-of-the-art software technology. This will result in higher process quality and standardization impacts that, in turn, will lead to millions of euros in cost-cutting potential for the occupational health and safety agencies involved.

Further highlights for plenum Systems in fiscal year 2002 included technologically demanding projects such as corporate intranet solutions for up to 40,000 workstations at an international logistics group and a major bank, the development of an e-business solution at an international industrial company, as well as various projects in the area of securities trading/order management at banks and brokerage companies.

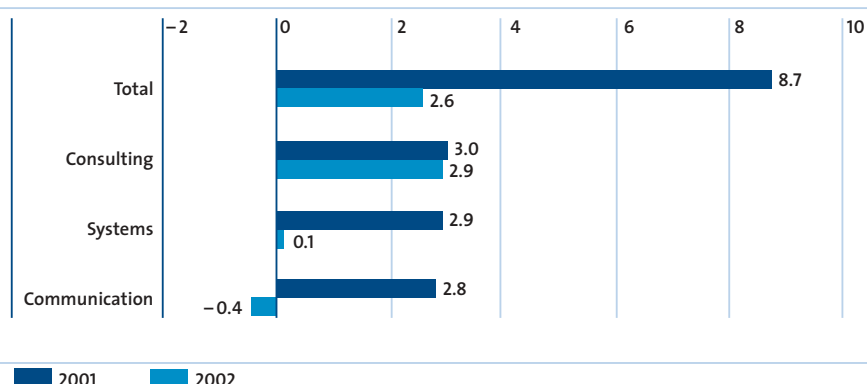
### plenum Communication

Unlike in the previous year, the Communication business unit was unable to escape the effects of the downturn on the communications and advertising market in fiscal year 2002. As a result, it was forced to substantially revise its revenue targets at the end of the first half of 2002. Gross revenues fell from EUR 28.5 million in the previous year to EUR 15.2 million, or only around 53 % of the prior year's figure. The segment thus generated around 30 % of the Group's gross revenues. The business areas of online and traditional communication accounted for approximately equal portions of the segment's total revenue.

In order to respond to the dramatic market development, measures to reduce costs in accordance with the revised revenue targets were implemented at the beginning of the second quarter. The Company closed its loss-making Berlin location, made capacity adjustments at its Herrenberg location and optimized operational functions and processes across all locations. In the second half of 2002, revenue development in the Communication business unit was hampered



Segment income (IOP) development (in € million)



Operating results based on IOP (Internal Operating Profit)  
not including discontinued segments

not only by the market slump, but also by both the loss of a large customer, as well as by the loss of other customers following the closure of the Berlin location. Revenues recovered at the end of the fiscal year, rising to EUR 3.8 million (third quarter: EUR 2.8 million). In addition, the increase in customer inquiries at the beginning of 2003 indicates a further improvement in customers' willingness to invest. Nevertheless, the situation in the segment remains strained.

The earnings situation in 2002 was primarily impacted by the restructuring of plenum Communication and the weak economy. Despite prompt capacity adjustments in response to reduced demand, the business unit's result was impacted by idle capacity costs of around EUR 0.5 million in 2002. The internal operating profit amounted to -3 % compared with +10 % in the previous year. We expect plenum Communication to be back in the black in the course of 2003.

plenum Communication's activities were primarily driven by business with its existing customers. Despite the difficult market conditions, the business unit was able to retain around 90 % of its

customers in 2002. Long-term partnerships with companies such as bruno banani and Microsoft (both of which started ten years ago) or Henkel, Stihl and Wella, confirm the segment's strategic focus and strong customer retention rate. In addition, business with new customers recovered slightly at the end of the year in both the online and traditional business areas.

plenum Communication implemented a large number of high-profile projects in 2002. In particular, these included a project commissioned by the "Fonds für Orden und Ökumene" (investment fund for religious orders and the ecumenical movement) for the development and implementation of optimized websites specifically designed to meet the needs of vision-impaired Web users. At the German multimedia conference in April, plenum Communication was awarded a special prize for innovation. Its entry was a pilot project for innovative tenant communication via a broadband portal. As the international creative lead Web agency of Wella AG, plenum Communication was responsible for the relaunch of the group's website, [www.wella.de](http://www.wella.de), as well as for its complete international roll-out in the past fiscal year.

## plenum AG

As the parent company of the plenum Group, plenum AG functions as the Group's holding management company. The Group's business is largely generated by the companies plenum Management Consulting GmbH, plenum stoll & fischbach Communication GmbH and plenum Systems GmbH. Control and Profit Loss agreements were signed with all three companies. In addition, the companies are included in the cash pool of plenum AG. All liquid funds of the Group are managed by the centralized cash management of plenum AG. These companies were integrated even more tightly within plenum AG's organizational structure following the appointment of the managing directors of the business units to plenum AG's Management Board in September 2002. As a result, the business development, position and risks of the parent company largely match those of the Group.



Organizational structure of the plenum Group as of March, 2003

## Other disclosures

### Booked business

Booked business developed encouragingly in 2002, mainly as a result of the large Phoenix project. plenum performed work with a value of approximately EUR 11.5 million of the project's total volume of around EUR 21.6 million in 2002. Booked business totaled EUR 17.4 million as of December 31, 2002. This corresponds to a reduction of EUR 2.3 million against the end of the third quarter of 2002, which was due to the fact that our customers postponed a number of decisions until the first quarter of 2003. As a result of the large Phoenix project, the Systems segment's booked business of EUR 13.1 million clearly exceeds booked business in the Consulting segment (EUR 2.3 million) and the Communication segment (EUR 2.0 million). Based on the segments' net revenues in 2002, plenum has an order backlog of 9.4 months in the Systems segment, 2.6 months in the Consulting segment and 1.6 months in the Communication segment. In addition to impacts by the market downturn, the order backlog in the Communication

segment is usually smaller than in the other segments as a result of significantly smaller project volumes.

### Workforce

plenum employed 338 people as of December 31, 2002. The workforce thus fell by around 27% in comparison with the previous year (462 people). This was mainly the result of the reduction in the Communication segment and administrative staff in the second quarter. At EUR 25.8 million, total personnel costs fell by around 5% in absolute terms in the past fiscal year (previous year: EUR 27.3 million). This corresponds to a personnel cost ratio of 54% (previous year: 42%). The increase in the personnel cost ratio was primarily due to the fact that the capacity adjustments that were necessitated by the new market conditions had a delayed effect on the Company's cost structure. This factor alone resulted in an additional charge of EUR 1.2 million in 2002.





#### Changes in executive bodies

plenum AG expanded its Management Board with effect from September 2, 2002.

Klaus Gröne, managing director of plenum Management Consulting, is responsible for the Consulting segment and human resources.

Bernhard Achter, managing director of plenum Systems, is responsible for the Systems segment and Group sales.

Heinz Stoll, managing director of plenum stoll & fischbach Communication, is responsible for the Communication segment and marketing in the new Management Board.

The Management Board is headed by its Chairman, Hartmut Skubch.

In the process of this reorganization, Thomas Reuther, who had served as plenum AG's CFO since April 1, 2000, retired from the Management Board.

#### Corporate governance

plenum AG welcomes the development of the German Corporate Governance Code that was compiled and published by the Government Commission in 2002. The Code establishes the first-ever standardized assessment criteria for responsible company management in Germany.

On December 17, 2002 the Managing and Supervisory Boards issued an initial declaration of compliance with the recommendations of the Government Commission's German Corporate Governance Code in accordance with Article 161 Aktiengesetz (AktG – German Public Companies Act). In their declaration, the Boards stated that they already comply with the Code to a large extent and will continue to do so in the future. The presentation of this Annual Report also marks the publication of the Managing and Supervisory Boards' first detailed report on corporate governance at plenum.



## Risk management report

A detailed planning and monitoring process as well as systematic risk management enable plenum to identify business opportunities and limit risks. The entire Management Board bears direct responsibility for the early identification and monitoring of risks. Operational risks are managed primarily by commercial operations. The expansion of the Management Board to include the managing directors of the operating business units, as well as the increased involvement of senior executives in Company decisions, has anchored and enhanced risk awareness at all Company levels.

In addition to regular monthly bottom-up segment reports on significant changes, plenum's risk management is particularly facilitated by its comprehensive SAP R/3-based reporting and financial control systems, centralized cash management policy and tax planning for the single-entity financial statements and at the Group level. The limitation of financial risks and the optimization of Company financing have been centralized. plenum's independent public accountants have examined this system and their findings

will be taken into account in ongoing further development.

plenum's activities are exposed to typical business risks, such as declines in demand and credit risks. Although revenue development in the past fiscal year reflected the economy's strong influence on customer demand, plenum's high proportion of long-term customer relationships meant that it recorded relatively minor declines in revenue compared with the competition. The economic situation in fiscal year 2002 triggered a rise in receivables risk, which was reflected in an increased number of valuation allowances. Financial provisions were made for bad debt risks to the extent that they are likely to occur. The Company generally has a low level of risk in these areas thanks to its broad customer base of large companies.

As a result of the expansion of our large-project business and the assumption of the role of lead contractor in certain projects, our top 10 customers accounted for an increased share of revenue of around 52 % (previous year: 32 %). plenum offsets its dependence on occupational health and safety agencies, which

account for 22 % of the Group's revenues and are thus by far its largest customer, by using subcontractors, who increase the Company's flexibility with regard to vertical integration and reduce its capacity utilization risk. The Company's resulting dependence on implementation partners is reduced through systematic management and extensive project management experience. Established planning and reporting procedures ensure the quality and efficiency of the services we provide for our customers.

Assuming stable economic development, the risks resulting from the business units' dependence on particular sectors are limited for the current fiscal year by the Company's overall sector diversification.

The worsening of the overall economic conditions exposed plenum to considerable competitive price pressure at times. As a result, investments, new hires and ongoing operating costs in particular were budgeted in detail and systematically monitored in order to limit the Company's earnings and cost risks. Strict cost reduction is plenum's top priority in times of unpredictable economic develop-



ment. The Company also focused on improving internal sources of finance and generating liquidity in order to maintain and strengthen its high degree of financial independence. Professional, centralized cash and receivables management facilitates this goal.

Changes in statutory regulations may potentially pose additional risks to the Company. The extent to which government plans to amend tax provisions and increase ancillary wage costs will – directly or indirectly – adversely affect plenum in the current fiscal year depends on the realization and implementation of these statutory measures. The Company is not exposed to any significant risks from pending legal disputes in excess of the provisions it has set up.

In addition, the dedication and expertise of our employees and senior executives are key success factors in plenum's business development. plenum strengthened its position as an attractive employer and significantly reduced potential personnel risks by establishing internal training programs, expanding the systematic professional development of senior executives and offering performance-

related incentive and bonus systems. In addition, from the Company's perspective, the situation on the labor market continued to ease: at present, we would theoretically be able to hire a sufficient number of highly qualified employees at short notice, as can be seen from the significant increase in the number of incoming applications.

In summary, economic risks and, in particular, the Company's dependence on the development of individual sectors and a large customer are currently of significance for plenum. Fewer risks exist with respect to the processes with which plenum provides services for its customers, which, on the whole, are well managed in both systematic and qualitative terms. plenum's overall risk situation remains limited and transparent. There are currently no identifiable risks that could endanger the going-concern of the Company.

## Outlook

Economic forecasts for 2003 remain cautious. The Sachverständigenrat (German Council of Economic Experts) estimates that the US will generate the strongest growth among industrialized countries with +2.6%. By contrast, the euro zone is expected to record growth of only +1.8%, with Germany slated to continue its spate of below-average development with +1.0%. In addition, political risks are leading to increasing economic uncertainty. As a result, a significant economic recovery is not foreseen before the second half of 2003 at the earliest and will most likely not materialize until the beginning of 2004.

In this overall economic environment, plenum expects to see a broad stabilization in its relevant markets but only a gradual improvement in individual sectors. BITKOM estimates that the market for information technology and telecoms will record slight growth of 0.4% to EUR 136.5 billion in 2003. The BDU anticipates that the management consulting sector will maintain its revenue level in 2003. The ZAW is forecasting a turnaround in corporate advertising spending

in 2003; as a result, total investments in advertising could potentially grow by 1 percent to EUR 30.3 billion. According to Nielsen Media Research, this trend was already emerging in December 2002: At around EUR 1.4 billion, gross advertising spending did not decline against the prior year's month for the first time in 24 months. In fact, the online advertising market had already exceeded the total volume for 2001 in November, once again fueling expectations of significant growth in 2003.

In light of these economic forecasts, the Management Board expects stable operational business development in 2003. Based on the fact that booked business totaled around EUR 17 million as of December 31, 2002, we anticipate that revenue development in the first half of 2003 will remain at the level of the preceding quarters, although the first quarter will see customers making a number of investment decisions they had postponed in 2002. A high proportion of long-term projects as well as long-term relationships with existing customers form the basis for the Company's steady revenue development.

It goes without saying that operating stability and profitability take priority over excessive revenue growth. As long as the economic situation rules out any clear revenue growth forecasts, the Company's management will ensure profitability by means of strict cost containment.

We expect to see a sustained improvement in plenum's earnings situation as a result of the streamlined, efficient cost structures and the adjustments to the new market conditions that were implemented in fiscal year 2002.



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# Consolidated Financial Statements

€ thousands	Note	Jan. 1 – Dec. 31, 2002	Jan. 1 – Dec. 31, 2001*
Revenues	24	47,474	64,957
Cost of revenues		– 37,209	– 45,588
<b>Gross profit</b>		<b>10,265</b>	<b>19,369</b>
Selling and marketing expenses		– 5,624	– 5,783
General and administrative expenses		– 6,110	– 7,929
Research and development	6	– 2,316	– 2,425
Other operating income and expenses	7	– 3,335	198
<b>Operating result</b>		<b>– 7,120</b>	<b>3,430</b>
Interest income	8	246	– 199
Investment and participation results	8	1,007	– 14,485
Goodwill amortization	12	– 1,946	– 128
<b>Result before income taxes (and minority interests)</b>		<b>– 7,813</b>	<b>– 11,382</b>
Income tax	9	– 167	– 124
Minority interests		0	– 2
Extraordinary expenses	10	– 1,030	0
Loss from discontinued operations of which for taxes	10	– 1,647	– 123
<b>Group net income</b>		<b>– 10,657</b>	<b>– 11,631</b>
Earnings per share (in EUR)			
from continued operations			
before extraordinary expenses	11	– 0.83	– 1.20
from extraordinary expenses	11	– 0.11	0.00
from continued operations	11	– 0.94	– 1.20
from discontinued operations	11	– 0.17	– 0.01
Group net income per share (in EUR, basic)	11	– 1.11	– 1.21

\* Investment income of TEUR 1 as reported in the prior year consolidated financial statements was restated by the impairment of securities under fixed assets in the amount of TEUR – 14,486, which was reported in other comprehensive income in the prior year (see note 10).

# Income statement

Assets € thousands	Note	Dec. 31, 2002	Dec. 31, 2001*
<b>Current Assets</b>			
Cash and Cash Equivalents	15	13,305	7,513
Trade accounts receivable	14	5,942	11,185
Inventories	13	12	262
Deferred tax asset	9	0	882
Prepaid expenses and other current assets	14	1,367	2,544
<b>Total current assets</b>		<b>20,626</b>	<b>22,386</b>
Property, plant and equipment	12	2,224	3,755
Intangible assets	12	686	4,798
Financial assets	12	107	193
Notes receivable / loans	25	1,007	0
Goodwill	12	0	1,946
Deferred tax asset	9	0	223
<b>Total Assets</b>		<b>24,650</b>	<b>33,301</b>
<b>Liabilities and shareholders' equity</b> € thousands	Note	Dec. 31, 2002	Dec. 31, 2001*
<b>Current liabilities</b>			
Short term debt and current portion of long-term debt	19	102	189
Trade accounts payable	19	1,298	2,031
Advance payments received		2,517	348
Other provisions	18	8,948	6,020
Deferred tax liabilities	9	14	912
Other current liabilities	19	894	1,881
<b>Total current liabilities</b>		<b>13,773</b>	<b>11,381</b>
Long term debt	19	179	281
Deferred tax liabilities	9	61	459
Pension provisions	17	872	758
<b>Shareholders' equity</b>			
Share Capital	16	9,577	9,577
Additional paid-in capital		14,151	14,151
Treasury Stock	16	- 83	- 83
Accumulated deficit		-13,880	- 3,223
<b>Total Shareholders' equity</b>		<b>9,765</b>	<b>20,422</b>
<b>Total Liabilities and Shareholders' equity</b>		<b>24,650</b>	<b>33,301</b>

## Consolidated balance sheet

€ thousands	Jan. 1 – Dec. 31, 2002	Jan. 1 – Dec. 31, 2001*
Group Net income (after tax)	–10,657	–11,631
Minority Interests	0	2
Adjustments:		
Depreciation and Amortization	7,963	16,270
Net results from disposal of intangible assets and property, plant and equipment	101	6
Proceeds from the disposal of investments	–1,002	–1,558
Other non-cash expenditure/income	–15	69
Changes in assets & liabilities:		
Changes in inventories	250	1,170
Changes in receivables	5,243	–3,646
Changes in prepaid expenses and other current assets	1,177	950
Changes in trade accounts payable	–733	–481
Changes in other liabilities	1,182	–307
Changes in accrued expenses	3,042	–421
Changes in other assets and liabilities	–193	–1,128
<b>Net cash from operating activities</b>	<b>6,358</b>	<b>–705</b>
Proceeds from the disposal of intangible assets and property, plant and equipment	58	297
Proceeds from disposal of investments	1,097	1,791
Payments for purchase of intangible assets and property, plant and equipment	–532	–1,833
Payments for purchase of investments	0	–675
Payments for loans granted	–1,000	0
Changes in consolidated entities	0	440
<b>Net cash from investing activities</b>	<b>–377</b>	<b>20</b>
Changes in debt	–189	–411
Changes in equity	0	2,414
<b>Net cash from financing activities</b>	<b>–189</b>	<b>2,003</b>
Movement in cash and cash equivalents	5,792	1,318
Cash & cash equivalents at beginning of period	7,513	6,195
Cash & cash equivalents at end of period	13,305	7,513

\* The prior year Group results of TEUR 2,855 were restated by the impairment of securities under fixed assets in the amount of TEUR –14,486, which was reported in other comprehensive income in the prior year consolidated financial statements (see note 10).

## Statement of cash flows

	Number of shares	Compre- hensive Income	Share capital	Additional paid-in capital	Retained earnings	Other Com- prehensive Income	Total share- holders' equity
	in thousand	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
<b>December 31, 1999</b>	<b>6,872</b>		<b>6,872</b>	<b>12,950</b>	<b>6,517</b>	<b>0</b>	<b>26,339</b>
Change in consolidated entities			1,251	-1,159	350		442
Other changes in capital					440		440
Consolidated earnings		1,818			1,818		1,818
Other comprehensive income, net		4				4	4
<b>December 31, 2000</b>	<b>8,123</b>		<b>8,123</b>	<b>11,791</b>	<b>9,125</b>	<b>4</b>	<b>29,043</b>
Cash capital increase			216	2,421			2,637
Capital increase from non-cash contributions			1,238	435			1,673
Change in consolidated entities				-1,172	-136		-1,308
Treasury stock				-83			-83
Other changes in capital				676	-581		95
Net income		-11,631			-11,631		-11,631
Other Comprehensive Income, net*		-4				-4	-4
<b>December 31, 2001*</b>	<b>9,577</b>		<b>9,577</b>	<b>14,068</b>	<b>-3,223</b>	<b>0</b>	<b>20,422</b>
Consolidated earnings		-10,657			-10,657		-10,657
<b>December 31, 2002</b>	<b>9,577</b>		<b>9,577</b>	<b>14,068</b>	<b>-13,880</b>	<b>0</b>	<b>9,765</b>

\* The prior year Group results of TEUR 2,855 were restated by the impairment of securities under fixed assets in the amount of TEUR -14,486, which was reported in *other comprehensive income* in the prior year consolidated financial statements (see note 10).

## Statement of changes in shareholders' equity



## A. Basis

### 1. General principles

The consolidated financial statements of plenum AG and its subsidiaries (hereinafter referred to as “plenum” or “the Group”) were prepared in conformity with United States Generally Accepted Accounting Principles or “US-GAAP”.

With its consolidated financial statements, plenum has exercised the exemption option under the terms of Art. 292a HGB (German Commercial Code), to draw up the consolidated accounts in accordance with internationally accepted accounting principles in lieu of consolidated financial statements according to German accounting

principles. The material differences between the accounting principles under German-GAAP and US-GAAP are explained in note 5.

The accounting, valuation and consolidation methods were applied in a consistent manner during the fiscal year. Unless otherwise stated, all amounts in the consolidated financial statements are shown in thousand Euro (TEUR). Individual prior-year figures have been accordingly reclassified to the current presentation.

### 2. Group of consolidated companies

All subsidiaries in which plenum hold direct or indirect majority of voting rights are fully consolidated.

The group of consolidated companies versus the prior year did not change in amount. The following mergers took place within the group of consolidated companies as of the closing date January 1, 2002:

Company	Business activities	Merged with
plenum New Venture AG, Berlin	Acquisition, administration and disposal of financial investments and consulting to investment companies	plenum Management Consulting GmbH, Wiesbaden
plenum Institut für Informations- und Kommunikationstechnologie GmbH, Wiesbaden	Conventions, seminars and research in the information and communication technology sector	plenum Systems GmbH, Wiesbaden
plenum Systems (Frankfurt) GmbH, Frankfurt am Main	Consulting and IT solutions in the electronic data processing sector	plenum Systems GmbH, Wiesbaden
plenum new media AG, Berlin	Conception and development of IT solutions in the new media sector	plenum stoll & fischbach Communication GmbH, Herrenberg

# Notes to the consolidated financial statements

As a result of the mergers, the number of fully consolidated subsidiaries changed as follows:

Fully consolidated companies	
as of 12/31/2001	9
Additions	0
Mergers	- 4
as of 12/31/2002	5

An overview of all subsidiaries and investments held as of the balance sheet date is presented in the list of investments attached as an exhibit to the notes.

### 3. Consolidation, accounting and valuation methods

#### Consolidation principles

The financial statements of the consolidated companies are prepared in conformity with US-GAAP and in accordance with the uniform accounting and valuation methods as applied by plenum AG. Capital consolidation is performed according to the purchase method or the pooling of interests method. According to the purchase method, the acquisition costs are offset against the prorated equity to the parent company at the date of acquisition or first time consolidation. Any residual positive difference is capitalized as goodwill and amortized over its estimated useful life. Under the pooling of interests method, the investment amount of the parent company is offset against the capital stock of the subsidiary. Any residual difference amount is offset to additional paid-in capital. Incidental acquisition costs are expensed. Goodwill does not arise under this method.

Revenues, receivables and payables as well as other expenses and income from intra-group transactions are eliminated. Any intercompany results and differences arising from the consolidation of intercompany balances are offset with an impact on income. Deferred taxes are recognized on consolidation transactions for timing

differences that will reverse at a later date. Equity of fully consolidated companies not belonging to the Group is disclosed as minority interests.

#### Use of estimates

The preparation of consolidated financial statements requires the use of estimates and assumptions that may affect the reported amounts of assets, liabilities, disclosure of contingent liabilities as of the balance sheet date and reported amounts of income and expenses during the reporting period. The actual amounts could differ from those estimates.

#### Currency translation

The annual consolidated financial statements as of December 31, 2002 exclusively comprise domestic companies. The annual financial statements of plenum Systems (Switzerland) AG that were included in the consolidated financial statements until November 30, 2001 were translated according to the functional currency concept. Since this subsidiary was economically independent, the translation to Euro was made at the annual average rate for positions of the income statement. Translation differences versus the prior year are reported under other comprehensive income on a neutral basis. An annual average rate of CHF 1.48 to Euro was applied.

#### Revenue recognition

Revenue is recognized upon rendering of contractual services, and the risks and rewards of ownership have been transferred to the buyer. In the case where plenum renders services at a fixed price basis, revenue is recognized according the percentage of completion. Provisions for discounts and rebates to customers are provided for in the same period the related revenues are recorded.

### Stock-based compensation

The stock option plan of plenum AG as of December 31, 2002 is described in note 10. The accounting principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations have been applied. In accordance with the stipulations of the stock option plan, personnel provisions do not arise.

The table below illustrates the effect on the net results and earnings per share had the company applied the provisions for market value valuation of the stock options according to SFAS 123, Accounting for Stock-Based Compensation.

€ thousands	2002	2001
Group net loss per income statement	-10,657	-11,631
Expenses based on fair value, net	-5	-820
Pro forma Group results	-10,662	-12,451
Earnings per share:		
Undiluted as reported	-1.11	-1.21
Undiluted per pro forma	-1.11	-1.30
Diluted as reported	-1.11	-1.21
Diluted per pro forma	-1.11	-1.30

For further details we refer to note 10.

### Research and development costs

Research and development costs are expensed as incurred, provided no material expenses are incurred in the period between technological availability and market maturity.

### Advertising and marketing costs

Advertising and marketing costs are expensed as incurred. Capitalizable costs for advertising and marketing were not incurred during 2002.

### Intangible assets and property, plant and equipment

Acquired intangible assets are valued at acquisition costs and amortized by the straight-line method over their expected useful lives. Goodwill arising from capital consolidation up to December 31, 2001 is amortized using the straight-line method over an expected useful life of between seven and fifteen years. Starting January 1, 2002, intangible assets with currently indeterminate lives and goodwill have no longer been amortized, but are reviewed at least once a year for other than temporary impairment. Assets under property, plant and equipment are valued at acquisition costs and depreciated by the straight-line method over their expected useful lives.

Useful lives within the Group:

	Useful lives
Intangible assets	4–10 years
Computer equipment and vehicles	3–8 years
Plant and office equipment	3–23 years
Leasehold improvements	5–10 years

### Financial assets and loans

Other investments are not valued according to the equity method, because there is no significant influence. The other investments are valued in accordance with SFAS 115. They are accounted for according to their classification as either trading (planned for sale in the near future), available for sale or held to maturity (positive intent and ability to hold to maturity). plenum has no securities planned for sale in the near future or held to maturity. Investments available for sale are stated at fair value. Write-downs to lower fair values as of the balance sheet date are recorded to the income statement if the impairment is deemed to be permanent. Loans are stated at nominal values.

#### Goodwill

Goodwill with currently indeterminate lives are reviewed for impairment at every balance sheet date and written-down only for other than temporary impairment.

#### Treasury stock

The acquisition costs of treasury stock are deducted openly from additional paid-in capital.

#### Current assets

Inventories are valued at the lower of acquisition or production costs or market values. Components of production costs are production direct material and wages and material and production overhead costs. Other cost components are not included.

Receivables and other assets are valued at face values. Valuation allowances are provided for the probability of bad debts.

Securities under current assets are generally stated at acquisition costs. Unrealized gains and losses arising from the valuation at fair values are reported to other comprehensive income on a neutral basis. Impairment charges are made for other than temporary impairment. Liquid assets include cash on hand and bank balances and cash and cash equivalents. Depending on their maturities, liquid assets are considered either cash and cash equivalents or other short-term investments. Cash and cash equivalents are considered to be securities under current assets, cash on hand and bank balances with an original maturity of three months or less.

Other short-term investments are considered to be bank balances with an original maturity of more than three months.

#### Prepaid expenses

Prepaid expenses are determined according to proper deferment of expenses for the period.

#### Deferred taxes

Deferred taxes are provided for all temporary differences that will reverse between German tax accounting principles and US-GAAP. The calculation is made according to the liability method. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets that potentially reduce future tax charges are capitalized for net operating loss carryforwards. Where the realization of the tax net operating loss carryforward is improbable, a valuation allowance is made on the deferred tax assets.

#### Provisions and liabilities

The valuation of the pension provision is based upon actuarial computations using the projected unit credit method.

The tax provision and other provisions are recorded when an obligation to a third party has been incurred, the payment is probable and the amount can be reasonably estimated.

Liabilities are stated at their repayment amounts that correspond to fair value.

#### Other comprehensive income

Other comprehensive income comprises neutral changes in equity that do not relate to shareholder transactions.

#### Statement of cash flows

The statement of cash flows is classified by operating, investing and financing activities for the cash and cash equivalents of the Group. Liquid funds include only such liquid assets and securities with an original maturity of less than three months. Changes to the consolidated companies are eliminated in the respective classification positions. This also applies to valuation changes due to exchange-rate fluctuations whose impact on cash and cash equivalents is separately disclosed.

#### Segment information

Segment information discloses company segments corresponding to the defined internal reporting structure and internally used key figures.

The calculation of segment results is subject to the accounting and valuation methods applied in the consolidated financial statements.

#### 4. New accounting pronouncements

In April 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections". Adoption of this standard regarding the rescission of SFAS for the redemption of loans payables and changes in the accounting of sale and leaseback transactions is not anticipated to have a material effect on the consolidated financial statements of plenum.

In June 2002, FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which establishes the accounting of expenses for the shutdown or disposal of business activities. The standard supercedes EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity". Under the new standard, the expenses should be recognized at the date a liability arises. The liability is stated at market value. The statement is effective for all shutdowns or disposals initiated after December 31, 2002, whereby earlier adoption is recommended.

In October 2002, FASB issued SFAS No. 147 "Acquisitions of Certain Financial Institutions – an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9". Accordingly, the provisions of SFAS No. 141 and 142 should be applied for the acquisition of certain financial institutions. The standard is effective for acquisitions with purchase dates of October 1, 2002 or

later. Adoption of this standard SFAS No.147 is not anticipated to have a material effect on the current consolidated financial statements nor are future effects expected.

In November 2002, FASB issued FASB Interpretation ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others – an interpretation of FASB statements 5, 57 and 107 and rescission of FASB interpretation 34". This Interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under a guarantee. The disclosure requirements of FIN 45 are effective for all periods starting after December 15, 2002, and require disclosure in the quarterly reports and consolidated financial statements. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. plenum is currently assessing the impact, if any, FIN 45 will have on the consolidated financial statements due to the new recognition and measurement requirements.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123". The standard provides for three different alternatives for a market value oriented accounting of stock-based compensation and changes the disclosure requirements in the notes and quarterly reports. The new accounting principles are effective for business years beginning after December 15, 2002. plenum continues to account for stock-based compensation according to APB No. 25, Accounting for Stock issued to Employees. The supplementary disclosure requirements have already been taken into account in the current consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation FIN 46 "Consolidation of Variable Interest Entities – an interpretation of ARB No. 51". The objective of this interpretation is to provide guidance on how to identify variable interest entities ("VIE"). FIN 46 presents a new layered model for the consolidation of a VIE in which a company holds controlling interests based on voting rights or variable interests. The consolidation is based on variable interests of the primary beneficiary in the event that the equity investor lacks one or more essential characteristics of a controlling financial interest. The primary beneficiary of a VIE is the party that absorbs a majority of the entity's expected losses and receives a majority of its expected residual returns. FIN 46 contains disclosure requirements for VIE's that apply under certain conditions when the VIE is not consolidated. FIN 46 must be immediately applied to VIE's that are created after January 31, 2003 and for interests acquired after this date. VIE's created before February 1, 2003 must apply the provisions of FIN 46 with regard to consolidation starting after July 1, 2003. plenum does not expect any effects from FIN 46 since plenum does not hold interests in VIE's.

#### 5. Major differences between German-GAAP and US-GAAP

plenum uses the relief outlined in Article 292 a HGB, which exempts companies from preparing consolidated financial statements in accordance with German GAAP if the consolidated financial statements are prepared in accordance with internationally accepted accounting principles.

To provide a better understanding by the readers of the consolidated financial statements and the fulfillment of the requirements under Article 292 a (4 a) HGB, the material differences between German-GAAP and US-GAAP are explained below.

#### Basic differences

German-GAAP aims towards the creditor protection and the principle of conservatism, while the main priority under US-GAAP is to provide the investor with information required in making investment decisions.

#### Revenue recognition

Under US-GAAP, long-term construction contracts are accounted for according to the percentage-of-completion method, provided the necessary conditions are satisfied. The application of this method leads to partial revenue recognition before completion of the contract. According to German law, the application of the percentage-of-completion method is generally not permitted.

#### Deferred taxes

Under US-GAAP, deferred taxes are calculated on temporary differences arising from recognition and valuation differences between the accounting principles in the consolidated balance sheet and the corresponding tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which they are expected to be recovered or settled (liability method).

According to the provisions of HGB, deferred taxes must not be capitalized on net operating loss carryforwards. Under US-GAAP, a recognition requirement exists. A valuation allowance is provided for deferred tax assets if it is more likely than not that the tax benefit will not be realized.

#### Goodwill and intangible assets

In the past, US-GAAP required the capitalization of goodwill and its amortization over the expected useful life. SFAS 142 now requires the amortization of goodwill and intangible assets with currently indeterminable useful lives only in the form of unscheduled write-downs according to annual impairment tests. The possible

offsetting of goodwill against equity under HGB is not permitted. According to HGB both scheduled and unscheduled amortization is permitted. Deferred taxes are not allowed on goodwill.

Internally generated intangible assets that are definable and individually measurable may be capitalized under US-GAAP under certain conditions. The same applies to expenses for the modification of internally used standard software that is self-performed by the company. According to German law, capitalization of such expenses is not permitted.

#### **Investments and securities**

Under US-GAAP marketable securities and investments must be accounted for according to its classification as either trading (planned for sale in the near future), held to maturity (positive intent and ability to hold to maturity) or available for sale (all other investments and securities). Securities available for sale are valued at fair value as of the balance sheet date with unrealized gains and losses reported in the stockholders' equity under other comprehensive income on a neutral basis. Other than temporary impairment is expensed to the income statement. Under HGB, marketable securities and investments are valued at acquisition costs or the lower market value as of the balance sheet date.

#### **Treasury stock**

Under US-GAAP, treasury stock is generally not capitalized. The acquisition costs for treasury shares are offset with equity (here: additional paid-in capital). HGB requires the provision of revenue reserves corresponding to the amount of capitalized treasury stock.

#### **Provisions**

Provisions under US-GAAP are created when an obligation to a third party has been incurred, the payment is probable and the amount can be reasonably estimated. Accruals for future expenses that are deemed, as pure

inner obligations are not permitted under US-GAAP. Such expenses are largely accounted for in the year incurred.

Pension provisions are calculated according to the entry-age-normal method. In contrast, under US-GAAP pension obligations for defined benefit plans are calculated according to the projected unit credit method, which considers future salary and pension trends. The US values include the respective interest in real terms and not the tax discount rate of 6% used under accounting provisions.

## B. Explanations to the Income Statement

### 6. Research and development costs

During the reporting year research and development costs in the amount of TEUR 2,316 (2001: TEUR 2,425) were incurred for the development of reusable components and for further development of the service portfolio of the segments.

### 7. Other operating income and expenses

Other operating expenses comprise expenses that cannot be classified to functional areas. Other operating income and expenses are broken down by significant positions as follows:

Other operating expenses		
€ thousands	2002	2001
Valuation allowance on customer base PISA	– 2,751	0
Valuation allowance for doubtful accounts	– 567	– 104
Expenses related to other periods	– 516	0
Amortization of software RMSS	– 305	0
Incidental acquisition costs on investments	0	– 152
Amortization of intangible assets	0	– 146
Other	– 10	– 2
<b>Total other operating expenses</b>	<b>– 4,149</b>	<b>– 404</b>

Other operating income		
€ thousands	2002	2001
Income from employee remuneration in kind	292	277
Income from realization of a pledge	158	0
Income from the release of provisions	99	173
Damage claims	80	10
Income from discounts	59	104
Other	126	38
<b>Total other operating income</b>	<b>814</b>	<b>602</b>

<b>Net balance of other operating income and expenses</b>	<b>– 3,335</b>	<b>198</b>
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## 8. Financial and investment results

€ thousands	2002	2001
Profits/losses from investments	0	1
Profits/losses from other securities and loans under financial assets	1,007	– 219
Other interest and similar income	294	180
Depreciation of financial assets and securities under current assets	0	– 14,486
Interest and similar expenses	– 48	– 160
	<b>1,253</b>	<b>– 14,684</b>

Income in the amount of TEUR 1,002 was realized from the disposal of securities during the reporting year. Other interest and similar income mainly relates to interest from time deposits and endorsed accounts.

With respect to prior-year depreciation on financial assets and securities under current assets, we refer to note 10.

### 9. Income taxes

Income taxes of the Group are broken down as follows:

€ thousands	2002	2001
Current taxes on earnings from continued activities	– 358	– 123
Deferred taxes	191	– 1
<b>Total taxes on earnings from continued activities</b>	<b>– 167</b>	<b>– 124</b>
Current taxes on earnings from discontinued activities	0	85
<b>Total income taxes</b>	<b>– 167</b>	<b>– 39</b>



Deferred tax assets and liabilities arise from timing differences in the following balance sheet positions:

€ thousands	2002	2001
Tax net operating loss carryforwards	0	223
Other provisions	0	882
<b>Deferred tax assets</b>	<b>0</b>	<b>1,105</b>
Receivables	14	856
Prepays	0	56
Intangible assets	61	250
Property, plant and equipment	0	209
<b>Deferred tax liabilities</b>	<b>75</b>	<b>1,371</b>

Deferred taxes are broken down by maturity as follows:

€ thousands	2002	2001
<b>Deferred tax assets</b>		
Short term	0	882
Long term	0	223
<b>Total deferred tax assets</b>	<b>0</b>	<b>1,105</b>
<b>Deferred tax liabilities</b>		
Short term	14	912
Long term	61	459
<b>Total deferred tax liabilities</b>	<b>75</b>	<b>1,371</b>

As of December 31, 2002 tax net operating loss carryforwards amounted to TEUR 15,538 (12/31/2001: TEUR 7,732). Due to the uncertainties surrounding the tax net operating loss carryforwards deferred tax assets created in 2002 and existing amounts from the prior year have been written-down in full.

In relation to the Group net losses before income taxes, the effective tax expense for the reporting year was 1.5 % (2001: 0.3 %). The reconciliation of tax charges based on the current corporate income rate in effect of 25 % for undistributed profits is presented below:

€ thousands	2002	2001
Expected tax income/expense	0	0
Taxes on capitalized own work	88	27
Taxes due to tax audits and changes in tax measurement bases	- 448	0
Deferred tax income on loss carryforwards	3,077	2,850
Valuation allowance on deferred tax assets	- 3,292	- 2,713
Use of tax net operating loss carryforwards	- 8	- 303
Taxes on non-deductible expenses and income	- 40	- 11
Revaluation of fixed assets	456	111
<b>Taxes on income</b>	<b>- 167</b>	<b>- 39</b>

With respect to the restatement of prior-year figures we refer to note 10.

## 10. Other disclosures

### Restatement of prior-year figures

In the previous financial year other investments reported as securities under fixed assets were written-down due to other than temporary impairment in the amount of EUR 14.486 million. The effect was reported in the income statement under the Group net income within other comprehensive income. The effects on the Group net income and the earnings per share were disclosed on a pro-forma basis in the notes. This position was restated in the opening balance sheet for 2002 from other comprehensive income to the accumulated deficit position. This reclassification had already been disclosed and published in the notes to the consolidated financial statements for the financial year ended 2001. According to SFAS 115 other than temporary impairment is reported under net income. The prior-year figures in the consolidated financial statements have been restated in conformity with SFAS 115. The effects on Group net results and earnings per share of the prior year were already disclosed in the prior-year notes to the consolidated financial statements. Equity was not affected from this restatement. Other disclosures have been accordingly restated.

The effects from the restatement on the consolidated financial statements, earnings per share and the structure of equity are presented in the table below.

€ thousands	2001
Results from ordinary activities as originally reported	3,104
Group net income as originally reported	2,855
Adjustment for write-down of financial assets	– 14,486
Results from ordinary activities after adjustment	– 11,382
Group net loss after adjustment	– 11,631
<b>Earnings per share (in €)</b>	
for Group net income as originally reported	0.30
for adjustment for write-down of financial assets	– 1.51
for Group net loss	– 1.21

Equity development	Share capital	Additional paid-in capital	Retained earnings/ accumulated deficit	Other Comprehensive Income	Total Equity
€ thousands					
Balance at Dec. 31, 2001					
as originally reported	9,577	14,068	11,263	– 14,486	20,422
Restatement	0	0	– 14,486	14,486	0
<b>Balance at Dec. 31, 2001</b>					
<b>after restatement</b>	<b>9,577</b>	<b>14,068</b>	<b>– 3,223</b>	<b>0</b>	<b>20,422</b>

### Extraordinary results

The extraordinary results relate to reimbursed costs for a board member in connection with shares placed on behalf of plenum AG.

### Discontinued Activities

With the approval of the management board of plenum AG, the management of plenum stoll & fischbach Communication GmbH resolved to discontinue the business division “Channeling”, a component of the communication division, during the reporting year. A corresponding restructuring plan was agreed with the advisory council for the affected employees. The results from this business division are reported under the

position "results from discontinued activities" in the income statement. Significant assets and liabilities from discontinued activities did not exist as of December 31, 2002.

<b>Income statement for the Channeling business segment</b>	
€ thousands	<b>2002</b>
Revenues	<b>90</b>
Cost of sales	<b>- 612</b>
Gross profit	<b>- 522</b>
Administrative costs	<b>- 840</b>
Other operating income	<b>5</b>
Other operating expenses	<b>- 290</b>
<b>Results from discontinued activities</b>	<b>- 1,647</b>

In 2001, the management board of plenum AG passed a resolution to suspend the business activities of the New Venture segment. The revenues allocable to this segment for 2001 amounted to TEUR 1,751. The results from discontinued activities in 2001 amounted to TEUR -123 after taxes of TEUR 85. Additional income or losses have not been incurred from closure of this segment. The description of the position that was reported in the prior year for the results from the closure of the New Venture segment ("extraordinary expenses") has been accordingly changed to "results from discontinued activities".

#### Personnel expenses

Personnel expenses are broken down as follows:

€ thousands	<b>2002</b>	<b>2001</b>
Wages and salaries	<b>22,562</b>	23,625
Social security costs	<b>3,094</b>	3,580
Expenses for pension benefits	<b>118</b>	77
<b>Total</b>	<b>25,774</b>	<b>27,282</b>

In 2002 the company employed an average of 399 (2001: 393) people.

#### Stock-based compensation

plenum AG has a stock option and employee stock plan.

The shareholders' meeting held on June 14, 2002 authorized the management board, based on approval of the supervisory board, to grant one or more option rights of the capital stock of plenum AG within the stock option plan, which is accounted for according to APB 25, for a period of five years to company employees and management members as well as employees of affiliated companies of plenum AG pursuant to Article 15 et seq. AktG. For the same period, the supervisory board was authorized to grant one or more preemptive rights on capital stock of plenum AG to members of the management board of plenum AG.

The exercise price on option rights is calculated on the closing stock price of plenum on the grant date plus a surcharge of 15%. Up to 50% of the respective option rights granted may first be exercised after expiration of the statutory minimum waiting period of 2 years after issuance. The other 50% of the respective option rights granted may first be exercised after expiration of a waiting period of 3 years after issuance. The exercise of option rights are subject to a prerequisite that the stock price of plenum AG must rise one time above the stock price as of the grant date by at least 15 %. The option rights have a maximum term of 5 years. After expiration of the exercise period the option rights cancel without compensation.

During the reporting year 5,000 option rights (2001: 100,000) were issued to members of the management board of plenum AG and no option rights were granted to other vested persons (2001: 275,000).

	Number of options	Average exercise price in €
Balance at Jan. 1, 2001	250,350	12.72
Granted	454,600	9.06
Exercised	0	n/a
Cancelled	-74,400	12.73
<b>Balance at Dec. 31, 2001</b>	<b>630,550</b>	<b>10.08</b>
Granted	5,000	7.37
Exercised	0	n/a
Cancelled	-224,050	10.09
<b>Balance at Dec. 31, 2002</b>	<b>411,500</b>	<b>10.04</b>

As of December 31, 2002 there were 115,250 of exercisable options (12/31/2001: 0).

As of December 31, 2002 outstanding options had an exercise price of between EUR 7.37 and EUR 12.37 and an average exercise price of EUR 10.04. The average remaining term is 3.2 years.

If the accounting provisions of SFAS 123 Accounting for Stock Based Compensation would apply, then the stock options would be measured at fair value. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2002	2001
Expected life up to exercise	5 years	5 years
Risk-free interest rate	2%	2%
Expected volatility	29%	29%
Expected average dividends	0%	0%

Within the scope of the employer stock incentive plan, those employees who did not participate in the stock

option plan have the possibility to acquire stock in plenum AG at favorable conditions depending on their years of service and salary level, and are available after a waiting period of one year. In 2002, employee stock incentives were not granted (2001: 15,890 shares).

#### Costs of purchased merchandise and services

The costs of purchased merchandise and services amounted to TEUR 16,069 in 2002 (2001: TEUR 18,120).

#### 11. Earnings per share

Without consideration of dilution effects, the earnings per share are calculated by dividing the Group net loss by the relevant number of subscribed shares.

€ thousands	2002	2001
Group net loss from continued activities before extraordinary results	-7,980	-11,508
Extraordinary results	-1,030	0
Group net loss from continued activities	-9,010	-11,508
Earnings from discontinued activities	-1,647	-123
Group net loss	-10,657	-11,631
Relevant shares balance during the reporting year	9,577	9,577
<b>Earnings per share (in €)</b>		
from continued activities before extraordinary results	-0.83	-1.20
from extraordinary results	-0.11	0.00
from continued activities	-0.94	-1.20
from discontinued activities	-0.17	-0.01
from Group net loss	-1.11	-1.21

According to the treasury stock method, the stock options issued in 2002 and 2001 did not have dilution effects on earnings per share, because the average fair value of the share was below the exercise price of the option.

Regarding the restatement of prior year figures, we refer to note 10.

## C. Explanations to the Consolidated Balance Sheet

### 12. Intangible assets, property, plant and equipment

€ thousands	Intangible assets	Property, plant and equipment	Financial assets	Goodwill	Total
<b>Acquisition costs</b>					
at Jan. 1, 2002	5,788	8,950	14,063	2,685	31,486
Additions	88	445	8	0	541
Disposals	0	-535	-94	0	-629
<b>Acquisition costs at Dec. 31, 2002</b>					
	<b>5,876</b>	<b>8,860</b>	<b>13,977</b>	<b>2,685</b>	<b>31,398</b>
<b>Accumulated depreciation</b>					
at Jan. 1, 2002	-990	-5,195	-13,870	-739	-20,794
Depreciation additions	-4,200	-1,817	0	-1,946	-7,963
Depreciation disposals	0	376	0	0	376
<b>Accumulated depreciation at Dec. 31, 2002</b>					
	<b>-5,190</b>	<b>-6,636</b>	<b>-13,870</b>	<b>-2,685</b>	<b>-28,381</b>
<b>Book value at Dec. 31, 2002</b>	<b>686</b>	<b>2,224</b>	<b>107</b>	<b>0</b>	<b>3,017</b>

plenum accounted for acquired intangible assets with currently indeterminate useful lives as follows:

€ thousands	2002	2001
Acquisition costs as at December 31	3,641	3,641
Accumulated amortization as at December 31	-3,641	-304
Net book value as at December 31	0	3,337

In conclusion to the annual planning meeting in November 2002, the PISA customer base and software Unisuite and RMSS reported under intangible assets were reviewed for any other than temporary impairment. Due to the difficult economic situation in general, the cash flows from respective business were substantially lower than expected. Based on the current results, and since the economic situation is not expected to improve in the medium term, future expected payment surpluses

were calculated and discounted as at the balance sheet date. Based on this valuation, assets in the amount of TEUR 3,337 (2001: TEUR 0) were fully written-off in 2002. The unscheduled amortization was presented under other operating expenses in the amount of TEUR 3,056 and under research and development costs in the amount of TEUR 281.

The net book value of goodwill developed as follows in 2002:

€ thousands	Segment Systems	Segment Communication	Total
Book value at Jan. 1, 2002	1,889	57	1,946
Write-downs	-1,889	-57	-1,946
<b>Book value at Dec. 31, 2002</b>	<b>0</b>	<b>0</b>	<b>0</b>

In conclusion to the annual planning meeting in November 2002, the segments were reviewed for any impairment. Due to exceptionally strong growing competitive pressure, particularly in conventional advertising (Segment Communication) and in training (Segment Systems), which are classified to goodwill, positive payments surplus could not be generated from both of these segments in 2002. Based on these facts, the outlook for the coming years has been cautiously valued. As a result, goodwill was fully written-down during the financial year 2002.

December 31, 2002					December 31, 2001			
Carrying value	Fair value	Unrealized gross losses	Unrealized gross gains		Carrying value	Fair value	Unrealized gross losses	Unrealized gross gains
Securities without fixed maturity	0	19	0	19	0	2,422	0	2,422

### 13. Inventories

This position mainly comprises unbilled project costs.

### 14. Receivables and other assets

Accounts receivable comprise valuation allowances for bad debts in the amount of TEUR 654 (12/31/2001: TEUR 96). Prepaid expenses and other current assets are broken down as follows:

€ thousands	2002	2001
Tax receivables	592	2,149
Prepays	95	212
Other	680	183
	<b>1,367</b>	<b>2,544</b>

All receivables have a residual term of less than one year.

### 15. Liquid funds

Liquid funds comprise cash on hand, bank balances and securities under current assets with original maturity of 3 months or less. Amounts related to affiliated companies totaled TEUR 171 (12/31/2001: TEUR 1,571).

€ thousands	2002	2001
Liquid funds with an original maturity of less than 3 months	13,305	7,309
Securities with an original maturity of less than 3 months	0	204
	<b>13,305</b>	<b>7,513</b>

### 16. Capital stock

At the beginning of the financial year, capital stock was broken down as follows:

in €	January 1, 2002
Capital stock, outstanding	9,577,068
Authorized capital	4,238,534
Conditional capital	847,707

At the ordinary shareholders' meeting held on June 14, 2002 it was resolved to issue new authorized capital stock in the amount of EUR 4,788,500 under cancellation of the authorized capital and conditional capital until that date and to make a conditional increase to capital stock in the amount of EUR 957,000. The capital increase was entered in the commercial register at Wiesbaden on August 26, 2002.

According to the shareholders' resolution dated June 14, 2002 plenum is authorized to acquire treasury stock for certain reasons up to December 14, 2003 up to a share in capital stock of a maximum of 10 % of the issued shares. The average stock price is not allowed to be exceeded by more than 10 % and not fall short by more than 30 %. As of December 31, 2002 plenum owned treasury stock of 16,790 shares, which were acquired in 2001 at a total price of TEUR 83 and openly offset against additional paid-in capital. The value of the shares amounted to TEUR 28 as at the balance sheet date. In 2002 treasury stock was not acquired.

At the end of the financial year, capital stock was broken down as follows:

in €	December 31, 2002
Capital stock, outstanding	9,577,068
Authorized capital	4,788,500
Conditional capital	957,000

### 17. Pension provision

The company granted certain vested direct pension benefits. The amount of pension benefits is based on pay and length of service. 59 % of the pension obligations are calculated according to the projected unit credit method based on the assumptions stated below. The amount of pension provision under US-GAAP for the other 41% of the total provision was estimated according to German accounting principles.

The pension obligation under the projected unit credit method was calculated according to the following assumptions:

	2002	2001
Interest rate	6.50 %	6.50 %
Inflation rate	2.00 %	2.00 %
Pension rate	3.00 %	3.00 %

The projected benefit obligation developed as follows:

€ thousands	2002	2001
<b>Change in the projected benefit obligation</b>		
Projected benefit obligation (PBO)		
at the beginning of the year	758	667
Present value of vested rights	118	82
Interest and service costs	20	9
Actuarial gains/losses	-24	0
<b>Projected benefit obligation (PBO)</b>		
<b>at the end of the year</b>	<b>872</b>	<b>758</b>

€ thousands	2002	2001
<b>Change in plan assets</b>		
Plan assets at the beginning of year (fair value)	153	135
Actual return on plan assets	5	12
Company contributions	4	6
Payments to the company	-95	0
<b>Plan assets at the end of year (fair value)</b>	<b>67</b>	<b>153</b>

### 18. Other provisions

Other provisions are broken down as follows:

	December 31, 2002		December 31, 2001	
	of which		of which	
€ thousands	Total	> 1 year	Total	> 1 year
Taxes	809	0	124	0
Outstanding invoices	2,616	22	546	54
Personnel provisions	3,071	0	2,794	0
Reimbursed expenses	1,030	0	0	0
Integration cost provisions	0	0	2,150	0
Warranties	522	0	76	0
Litigation costs	205	0	0	0
Travel costs	261	0	5	0
Other provisions	434	0	325	0
	<b>8,948</b>	<b>22</b>	<b>6,020</b>	<b>54</b>

Included in the provision for integration costs are costs arising from business acquisitions in 2000 and 2001, which had not yet been incurred to successfully finalize the integration of these companies in the existing management, organization and administration structures. In the mean time, the integration has been finalized. The provision was fully utilized in 2002.

### 19. Liabilities

Liabilities are broken down as follows:

	December 31, 2002		December 31, 2001	
	of which		of which	
€ thousands	Total	> 1 year	Total	> 1 year
Liabilities to banks	281	179	470	281
Advance payments	2,517	0	348	0
Accounts payable	1,298	0	2,031	0
Other liabilities	894	0	1,881	0
	<b>4,990</b>	<b>179</b>	<b>4,730</b>	<b>281</b>

Liabilities to banks relate to credit of the subsidiaries. The weighted average interest rates for these credit lines amounted to 5.6 % in 2002 (2001: 5.32 %). The Group has unused credit available in the amount of TEUR 1,063 (12/31/2001: TEUR 1,879). The prior year figures were reclassified in accordance with presentation made this year.

Other liabilities are broken down as follows:

€ thousands	2002	2001
Taxes	482	1,275
Social security	383	563
Other	29	43
	<b>894</b>	<b>1,881</b>

#### D. Explanations to the Cash Flow Statement

##### 20. Cash inflows from operating activities

Cash inflows include net inflows from interest in the amount of TEUR 254 (2001: TEUR 46).

Inflows occurred from income tax refunds that were taken into account under tax back payments of TEUR 782 (2001: cash outflows of TEUR 1,904).

#### E. Other Disclosures

##### 21. Contingent liabilities and other financial commitments

Contingent liabilities and other financial commitments are stated at nominal values.

As of the balance sheet date obligations for guarantees amounted to TEUR 215 (12/31/2001: TEUR 181).

Commitments for rent and leases with an original maturity of more than one year are broken down as follows:

€ thousands	2002	2001
2002	2,595	1,894
2003	2,031	1,795
2004	1,212	1,304
2005	961	1,023
2006	790	961
2007 and later	1,218	619
	<b>8,807</b>	<b>7,596</b>

##### 22. Pending litigation and other risks

A provision was created at the end of 2002 for litigation risks from pending legal disputes in the amount of TEUR 205 (12/31/2001: 0).

##### 23. Financial instruments

Due to the concentration of business activities in the Euro region, plenum is not subject to any material exchange rate risks or any material interest rate fluctuation risks. Within the framework of normal financial management, marketable financial instruments are used such as money accounts, funds with variable and fixed debt securities and stock. Derivatives within the meaning of SFAS 133 are not used.



## 24. Segment information

Corresponding to the internal organization and reporting structure classification of services, segment reporting is distinguished between the segments consulting (consulting services for strategy development, efficiency improvements and new organization for IT management), systems (consulting and implementation services for innovative technological solutions) and communication (complex services for integrated communication – online and offline).

At plenum, the most important key figure for results and an indicator for lasting economic performance of a segment is the Internal Operating Profit (IOP). The IOP is an adjusted net income before Group-wide costs, depreciation, financial results, consolidation effects and taxes.

Segment Information		Con- sulting	Systems	Commu- nication	Other	Total
€ million						
Net sales	CY	10.5	22.0	15.0	0.0	47.5
	PY	10.5	24.4	28.3	1.8	65.0
Internal sales	CY	1.5	1.4	0.2	0.0	3.1
	PY	0.0	1.4	0.2	0.0	1.6
Gross sales	CY	12.0	23.4	15.2	0.0	50.6
	PY	10.5	25.8	28.5	1.8	66.6
Segment costs	CY	–9.1	–23.3	–15.6	0.0	–48.0
	PY	–7.5	–22.9	–25.7	–1.8	–57.9
Internal Operating Profit (IOP)	CY	2.9	0.1	–0.4	0.0	2.6
		24 %	0 %	–3 %	0 %	5 %
	PY	3.0	2.9	2.8	0.0	8.7
		29 %	11 %	10 %	0 %	13 %

CY = Current year; PY = Prior year

The reconciliation of the internal operating profit of the segments to the Group net loss is as follows:

Reconciliation of operating segment results in € million	Jan. 1 – Dec. 31, 2002	Jan. 1 – Dec. 31, 2002
IOP	2.6	8.7
Group wide costs and consolidation effects	–3.7	–3.6
EBITDA	–1.1	5.1
Depreciation	–8.0	–1.8
Financial results, taxes and minority interests	1.1	–14.8
Extraordinary results and results from discontinued activities	–2.7	–0.1
Group net loss	–10.7	–11.6

We refer to note 10 regarding the restatement of prior-year figures.

In the Group, assets and investments are not allocated to the reporting segments, therefore there is no separate disclosure.

The customer structure of the Group did not result in any major concentration in any given geographical region or business area. Due to the high volume of customers and the variety of business activities in 2001, there were no customers whose business volume was material compared to plenum's total business volume. In 2002, 22 % of the Group revenues were generated from the partnership with the occupational health and safety agencies (ARGE der Berufsgenossenschaften, Project "Phoenix").

## 25. Relations with related parties

plenum Systems GmbH holds business relations with Informatic Consulting Bauer GmbH, Moos. The sole managing director and manager of Informatic Consulting Bauer GmbH is Michael Bauer, the supervisory board chairman of plenum AG. Informatic Consulting Bauer GmbH renders lecturer services within the seminar program of plenum Systems GmbH and solicits seminar projects. In 2002, plenum Systems GmbH effected services in the amount of TEUR 192 (2001: TEUR 233) from Informatic Consulting Bauer GmbH, Moos. As of December 31, 2002, there were liabilities due to Informatic Consulting Bauer GmbH in the amount of TEUR 14 (12/31/2001: TEUR 5).

plenum AG holds business relations with Dr. Händel, supervisory board member of plenum AG. Dr. Händel renders consulting services in the financial area of plenum AG, such as for accounting inquiries, acquisition meetings and to financial institutions via his contacts. In 2002, plenum AG effected services in the amount of TEUR 4 (2001: EUR 0) from Dr. Händel. As of December 31, 2002, there were no receivables or payables with him.

With the approval of the supervisory board on October 9, 2002, plenum AG granted a loan on October 10, 2002 to Hartmut Skubch, chairman of the management board of plenum AG, in the amount of TEUR 400. The loan is subject to an interest rate of 5% p.a. due upon maturity and has a term of three years. With the approval of the supervisory board on November 25, 2002, plenum AG granted Mr Skubch another loan on December 6, 2002 in the amount of TEUR 600. This loan is also subject to a 5% interest rate and has a term of four years. Both loans are not secured by collateral.

## 26. Important events after the financial year

There were no important events subsequent to the financial year.

## 27. Bodies of the company

As of December 31, 2002 plenum AG had capital stock of 9,577,068 no par shares, which securitize a share in capital stock of EUR 1.

The shares held by the bodies of plenum AG are presented in the table below:

Shares held by the Management Board					
	Hartmut Skubch	Klaus Gröne	Bernhard Achter	Heinz Stoll	Total
	number of shares	number of shares	number of shares	number of shares*	number of shares
Balance at					
Jan. 1, 2002	2,050,933	400	0	550,000	2,601,333
Additions	116,821**	20,053**	0	0	136,874
Disposals	0	0	0	-18,500	-18,500
Balance at					
Dec. 31, 2002	2,167,754	20,453	0	531,500	2,719,707

\* shares held indirectly \*\* transfer from indirect to direct holdings

At the beginning of 2002 and at his resignation from the management board of plenum AG on September 30, 2002 Thomas Reuther did not hold any company shares.

Stock options of the Management Board					
	Hartmut Skubch	Klaus Gröne	Bernhard Achter	Heinz Stoll	Total
	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
Balance at Jan. 1, 2002	56,500	25,200	0	0	81,700
Additions	0	0	5,000	0	5,000
Disposals	0	0	0	0	0
<b>Balance at Dec. 31, 2002</b>	<b>56,500</b>	<b>25,200</b>	<b>5,000</b>	<b>0</b>	<b>86,700</b>

At the beginning of 2002 Thomas Reuther held 56,500 options. All stock options were cancelled upon his resignation from the management board of plenum AG on September 30, 2002.

Shares held by the Supervisory Board				
	Michael Bauer	Dr. Wolfgang Händel	Norbert Rohrig	Total
	Number of shares*	Number of shares	Number of shares	Number of shares
Balance at Jan. 1, 2002	370,360	3,500	700	374,560
Additions	0	0	0	0
Disposals	0	0	0	0
<b>Balance at Dec. 31, 2002</b>	<b>370,360</b>	<b>3,500</b>	<b>700</b>	<b>374,560</b>

\* shares held indirectly

Total remuneration granted to the management board by plenum AG for the financial year 2002 amounted to TEUR 1,338 (2001: TEUR 983), of which TEUR 263 related to variable remuneration. The supervisory board of plenum AG received a total remuneration amount of TEUR 20 in 2002 (2001: TEUR 20).

Management Board Member	Position	Membership in other legal supervisory boards of German companies
Hartmut Skubch (Chairman) (Speaker until Sept. 1, 2002)	Strategy, since Sept. 2, 2002 Strategy and Finance	
Klaus Gröne (since Sept. 2, 2002)	plenum Management Consulting and Human Resources	
Bernhard Achter (since Sept. 2, 2002)	plenum Systems and Sales	
Heinz Stoll (since Sept. 2, 2002)	plenum Communication and Marketing	
Thomas Reuther (until Sept. 30, 2002)	Finance	until Oct. 28, 2002 at: plenum New Venture AG, Berlin (Chairman) plenum new media AG, Berlin (Chairman) plenum financial solution AG, Wiesbaden (Chairman)

Members of the Supervisory Board	Positions held in other legal supervisory boards of German companies	Membership in similar German and foreign control bodies of accounting firms
Michael Bauer (Chairman) plenum founder and IT consultant, managing shareholder of Informatik Consulting Bauer GmbH, Moos	Subito AG, Mörfelden-Walldorf (Chairman) Advanced Internet Systems AG, Munich (Chairman)	
Dr. Wolfgang Händel Business consultant	Solutio AG, Munich	Spezialtechnik Dresden GmbH, Dresden ISA-TRAESKO GmbH, Neumünster (Chairman of the advisory board)
Norbert Rohrig Member of the Management Board of AXA Konzern AG, AXA Lebensversicherung AG, AXA Versicherung AG, AXA Service AG, AXA Krankenversicherung AG, all in Cologne		AXA Technology Services Germany GmbH, Cologne (Chairman) U.S.U. Softwarehaus Unternehmens- beratung AG, Möglingen EDS Deutschland GmbH, Hamburg

Wiesbaden, March 7, 2003

The Management Board



Hartmut Skubch



Klaus Gröne



Bernhard Achter



Heinz Stoll

## F. List of Investments

Name and location of company	Share in capital
<b>1. Affiliated companies</b>	
plenum Management Consulting GmbH, Wiesbaden	100 %
plenum Systems GmbH, Wiesbaden	100 %
plenum stoll & fischbach Communication GmbH, Herrenberg formerly: Stoll & Fischbach GmbH, Herrenberg	100 %
plenum financial solutions AG, Wiesbaden	100 %
a.f.n. active.financial.network GmbH, Frankfurt am Main	100 %
<b>2. Other investment companies</b>	
engram AG	23%
Producta AG	16%
aloba AG	15%

We have audited the accompanying consolidated financial statements of plenum Aktiengesellschaft, Wiesbaden, consisting of the balance sheet, income statement, statement of changes in shareholders' equity, statements of cash flows and notes for the business year from January 1 to December 31, 2002. These consolidated financial statements prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP) are the responsibility of the management of the Company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German audit regulations for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The audit includes examining, on a test basis, evidence

supporting the amounts and disclosures in the consolidated financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit the consolidated financial statements referred to above present fairly, in all material respect, the net assets and financial position of the company as of December 31, 2002 and of its result of operations and its cash flow for the year then ended in conformity with the United States Generally Accepted Accounting Principles.

Our audit, which according to German auditing regulations also extends to the management report of the parent company and the combined group management report prepared by management for the business year from January 1 to December 31, 2002, has not led to any reservations. In our opinion, on the whole management report of the parent company and the combined group management report provide a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for

the business year from January 1 to December 31, 2002 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German accounting law.

Frankfurt am Main, March 7, 2003

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft



Fornfeist  
Wirtschaftsprüfer  
(German Public  
Accountant)



ppa. Ludwig  
Wirtschaftsprüfer  
(German Public  
Accountant)

## Audit Opinion

### Corporate calendar 2003

May 20, 2003  
Financial press conference  
Analyst conference  
Frankfurt

May 27, 2003  
Publication of report  
for the first quarter

July 8, 2003  
General Meeting  
Kurhaus Wiesbaden

August 28, 2003  
Publication of report  
for the first half

November 27, 2003  
Publication of report  
for the first three quarters

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We would be glad to include you in our investor relations mailing list. You will then receive information about plenum.

Current information is also available on the Web at: [www.plenum.de](http://www.plenum.de)

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