

Interim report 2/2003

(U.S. GAAP) as of June 30, 2003



...) plenum . . .

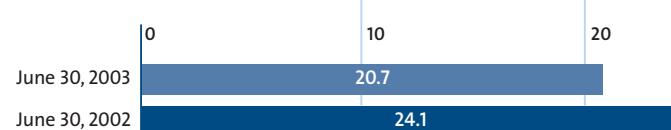
Letter to Shareholders

plenum Group – key figures (US-GAAP)

in € thousands	Jan. 1 – June 30, 2003	Jan. 1 – June 30, 2002
Revenues	20,701	24,100
Gross profit	3,777	6,846
EBITDA	654	1,930
Group net profit	137	1,264
Earnings per share (in EUR; undiluted)	0.01	0.13
Shares outstanding (basic, in thousands)	9,577	9,577
Equity ratio as at June 30, 2003/Dec. 31, 2002	46%	40%
Net liquidity ¹⁾ as at June 30, 2003/Dec. 31, 2002	8,947	10,686
Employees as at June 30, 2003/Dec. 31, 2002	322	338

¹⁾Liquid funds less bank liabilities and advance payments received

Group revenues in € mio.



Organizational structure of the plenum Group



Organizational structure of the plenum Group as of June, 2003

Dear shareholders and business partners,

The business challenges facing us in fiscal 2003 have been visible since the very start of the year. The ongoing weakness of the economy has not only impacted the market for IT and communications services, but has also served to further exacerbate the macroeconomic recession in Germany. Given these difficult conditions, our primary goal was, and remains, to ensure that we turn a profit this fiscal year. We achieved this goal in the first half of 2003: despite a fall in revenue by EUR 3.4 million to EUR 20.7 million, EBITDA amounted to around EUR 0.7 million and net income for the period to around EUR 140 thousand as of the end of H1.

In the light of current forecasts of economic developments for the second half of the year, which predict only slight signs of recovery, we do not expect any significant increase in investment in IT and communications services until fiscal 2004 at the earliest. As outlined at the Ordinary General Meeting in July, we are therefore confirming our earnings forecast for H2/2003, with revenues remaining at the level recorded in the first six months.

Wiesbaden, August 2003

Hartmut Skubch
Chairman of the
Managing Board



To ensure the Company's profitability for 2003 as a whole, we have acted proactively at the beginning of the year by launching a comprehensive program entitled FOKUS. The aims of this program include a reduction in non-personnel operating expenses, the adjustment of personnel costs, and a more streamlined management structure. The program also targets the area of market development, where the main goals are a heightened focus on core areas and the intensification of personal customer relationships at the highest level of management.

Particular thanks are due to our employees, whose dedication is reflected in their work with our customers, as well as in the constructive dialog which has enabled the FOKUS program to be implemented already to a large extent.

...) plenum . . .

Interim management report

Economic environment

As expected, the first half of fiscal 2003 was a difficult period for the entire IT and communications sector, and the second half will remain challenging for many companies. The economic situation experienced a further downturn in the first six months, with investment in our core sectors still extremely sluggish. At the same time, the supply side of the market has now been characterized by overcapacity and price pressure for some time.

However, the first signs of a gradual improvement are now visible. Expert opinion and economic indicators suggest a slight pickup in the second half of the year, although a sustained economic recovery is unlikely to take place until 2004.

Business developments

Although the economic conditions remained difficult, plenum generated revenues of EUR 20.7 million in the first half of the year. At around EUR 10.1 million, revenues in Q2 remained essentially stable as against the previous quarter (Q1: EUR 10.6 million). The year-on-year decrease from EUR 24.1 million was already taken into account in financial planning for the year, and the workforce capacity was adjusted accordingly in the previous fiscal year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to around EUR 0.7 million in H1, as against EUR 1.9 million in the same period of the previous year. Although revenues fell by EUR 0.5 million, EBITDA remained almost unchanged in Q2 at EUR 0.3 million, as against just under EUR 0.4 million in Q1. Net income for the first six months of the year totaled around EUR 140 thousand (previous year: EUR 1.3 million), underlining the fact that profitability

remains the primary goal of the Company's management.

As a result, earnings per share for H1 amounted to EUR 0.01 (previous year: EUR 0.18) for 9,577,068 no-par value shares in each case.

Cost development

The rise in the cost of sales ratio is primarily due to our market differentiation strategy. Since its formation, plenum has been synonymous with a high level of quality. This requires additional effort or upfront services for our customers, which cannot always be invoiced in the current market situation; at the same time, however, it also reduces the need for large-scale price reductions.

High competitive pressure on the supply side and the market trend towards smaller project volumes mean that intensified sales activities are necessary; as a result, the selling expenses ratio increased slightly year-on-year. Administrative costs were influenced by seasonal effects particularly in Q2.

The positive balance of other operating income and expense is primarily due to the fact that certain individual provisions are no longer necessary. This was achieved in particular through intensive efforts to collect receivables for which write-downs had already been charged.

The positive contribution to earnings from the net income from investments generated in Q2 was offset by deferred tax liabilities in almost the same amount.

Net assets and financial position

As forecast, cash and cash equivalents fell by almost 30% in the first six months, from the high level of EUR 13.3 million – as detailed in the Annual Report – recorded at the end of the year to around EUR 9.4 million. The fall in net liquidity since the start of the year by only 16% is explained in particular by the fact that advance payments received also decreased from EUR 2.5 million to around EUR 0.3 million during the same period. One of the main reasons for the development of these balance sheet items is the payment terms and dates in the Company's large project business, which regularly cause such fluctuations. As such, the cash flow from operating activities of around EUR –3.8 million in H1 was in line with forecasts.

Despite the drop in cash and cash equivalents, net liquidity remained stable in Q2 as against the previous quarter, amounting to around EUR 8.9 million (Mar. 31, 2003: EUR 8.8 million).

At 46%, the equity ratio increased as against the end of fiscal 2002 (Dec. 31, 2002: 40%).

Outlook

As outlined at the Ordinary General Meeting in July, the Managing Board's forecasts for fiscal 2003 as a whole predict only moderate signs of economic recovery in the second half of the year, with no significant increase in investment by plenum's customers until 2004.

Given these conditions, the Managing Board expects business developments to remain stable after the first six months. It forecasts positive consolidated net income for H2, with revenues reaching the levels recorded in the first two quarters.

Segment reporting disclosures

Although demand remained weak, plenum was able to ensure the profitability of all its segments in the first half of 2003. The average return for the business units was 7%.

plenum Management Consulting

Weak demand on the IT services market continued to impact Management Consulting, leading again to a fall in revenues. Overall, gross revenues of EUR 4.1 million were generated in the first half of 2003, as against EUR 6.3 million for the same period of the previous year. Gross revenues fell by EUR 0.3 million to EUR 1.9 million quarter-on-quarter. Thus, Consulting contributed around 19% of total gross revenues in H1, as against roughly 25% in the previous year.

As a result of this revenue development, the business unit's internal operating profit (IOP) for the first six months also declined to EUR 0.5 million (previous year: EUR 1.7 million), while the return for the unit was at 12%. To ensure the unit's profitability, further measures were taken in Q2 to adapt the cost structure to the revenue forecasts; however, these measures will only start having a significant effect during the second half of the year.

In Q2, customer demand again concentrated on the issue of cost optimization in the area of IT. Management Consulting won a contract from a large German bank to reorganize its IT strategy with a focus on cost reduction. After completion of the design phase, plenum's consultants were also charged with managing and, in part, performing the necessary implementation activities.



Segment information in € million		Consulting	Systems	Communication	Total
Net sales	CY	3.1	11.7	5.9	20.7
	PY	5.9	9.8	8.4	24.1
Internal Sales	CY	1.0	0.3	0.1	1.4
	PY	0.4	0.4	0.2	1.0
Gross sales	CY	4.1	12.0	6.0	22.1
	PY	6.3	10.2	8.6	25.1
Segment costs	CY	-3.6	-11.3	-5.6	-20.5
	PY	-4.6	-9.3	-7.8	-21.7
Internal Operating Profit (IOP)	CY	0.5	0.7	0.4	1.6
Margin		12%	6%	7%	7%
	PY	1.7	0.9	0.8	3.4
		27%	9%	9%	14%

CY = Current year, PY = Prior year

Reconciliation of operating segment results in € million	Jan. 1 – June 30, 2003	Jan. 1 – June 30, 2002
IOP	1.6	3.4
Group wide costs and consolidation effects	-0.9	-1.5
EBITDA	0.7	1.9
Depreciation	-0.6	-1.0
Financial results, taxes and minority interests	0.0	0.8
Extraordinary results and results from discontinued activities	0.0	-0.4
Group net income	0.1	1.3

Management Consulting designed a communications concept for voluntary supplementary pension products for a large public insurer in cooperation with experts from plenum Communication. Acting as lead contractor, plenum's consultants were also responsible for implementing the agreed measures and managing the other service providers involved.

plenum Systems

plenum Systems increased its gross revenues year-on-year by around 18% to EUR 12.0 million (previous year: EUR 10.2 million). With a 54% share of revenues, the business unit was once again the biggest revenue driver in the first half of 2003. The revenues of EUR 5.8 million recorded in Q2, as against EUR 6.2 million in the previous quarter, also serve to underline the ongoing stability of plenum Systems' business. Quarterly fluctuations in revenue development are due to settlement terms in the unit's large project business.

Having recorded only a slight profit in the previous year, plenum Systems underlined its success in H1/2003 with an IOP margin of 6% and an internal operating profit of EUR 0.7 million.

A German insurance company contracted plenum Systems to develop a data warehouse to accompany the modernization of its IT architecture and the introduction of a new inventory management system. A preliminary study determined the content and technical strategy for the modular expansion of the data warehouse as the company's central information platform over the course of the next two years. Phase 1, which is currently being implemented by plenum, focuses on support for financial control and financial

statement preparation in the life insurance division, which is the customer's main line of business.

plenum Systems won a development contract in the area of trading systems from a prominent Frankfurt securities broker following an analysis of its internal systems infrastructure. Further implementation projects are currently in preparation. The aims of this project are to realize potential savings and, above all, to increase efficiency as regards the company's future strategy.

Other disclosures

plenum Communication

Although plenum Communication's gross revenues were down year-on-year in H1, amounting to EUR 6.0 million (previous year: EUR 8.6 million), revenues for Q2 slightly exceeded the level of EUR 2.9 million recorded in the previous quarter. The positive development in Q1 also continued on the earnings side: with the IOP again reaching EUR 0.2 million in the second quarter, the unit achieved a positive margin of 7% for the first half of 2003, as against the negative margin of -3% recorded last fiscal year.

In the second quarter, plenum Communication impressed with a range of innovative customer projects covering all sections of its service offering, from online communications through classical advertising to public relations. For example, creative Internet applications were implemented for customers such as STIHL, Henkel, and a sports federation. In addition, the activities for T-Mobile launched in Q1 were further expanded: after developing a Flash-based Internet demonstration of the potential applications of "t-zones" – the mobile online service offering from T-Mobile – plenum Communication has now also been charged with the production of other areas of the portal. This includes special features aimed at specific target groups, as well as online games and MMS competitions.

"bruno banani" has long been a prime example of innovative brand management concepts. The brand – developed 10 years ago with the support of plenum Communication – launched its anniversary celebrations with a spectacular PR stunt: at the end of April, plenum organized a test of the designer underwear on board the International Space Station (ISS). Further

comprehensive advertising activities are already in preparation. Another success for plenum Communication was the contract awarded by the global lifestyle brand Timberland. The manufacturer of outdoor-inspired footwear, clothing and accessories is harnessing plenum's brand management expertise in order to successfully extend its communication activities through a wide range of PR activities and targeted advertising measures.

Booked business

The progress made in the large-scale Phoenics project, and the planned decrease in the volume of outstanding business as a result, are reflected in the development of booked business as of June 30, 2003. Whereas booked business still amounted to EUR 13.6 million at the end of Q1, it has now fallen to EUR 10.2 million.

Investments

The company made no significant investments in H1/2003.

Employees

The number of staff employed by plenum AG as of June 30, 2003 fell slightly quarter-on-quarter by around 3% to 322 people. Overall, this represents a drop of 7% as against the previous year's figure of 347 employees.

The workforce capacity was reduced in Q2 in order to adapt the Company's cost structure to its revenue forecasts for the year as a whole. At year-end, plenum is expected to employ around 280 people, representing a decrease of around 17% as against the end of 2002.

Developments in the risk situation

There have been no material changes in the risk situation of plenum AG as against the detailed description included in the Annual Report 2002.

Significant events

There were no significant events requiring disclosure after the end of the reporting period.

Interim dividend/payout

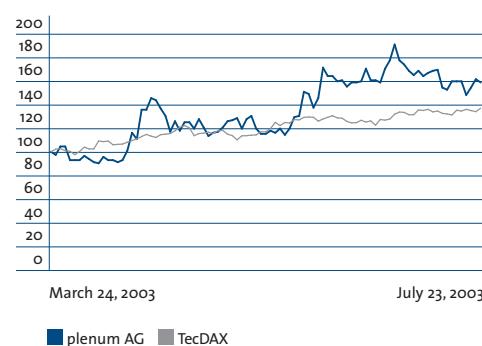
plenum AG did not pay and does not propose to pay any interim dividend or make any other distributions for the period under review, January 1 to June 30, 2003.

plenum's shares

Following an extremely weak first quarter, the capital markets recovered significantly starting in Q2. Since April, the DAX has risen by over 40%, while the TecDax rose by around 35% in the same period. This more than compensated for the losses recorded since the start of the year.

plenum AG's shares were also able to benefit from this development and recovered to record growth of around 70%, having reached a low at the end of Q1. After peaking at over EUR 2.00, well in excess of the level of EUR 1.80 at the start of the year, plenum's share price has moved sideways at roughly this level since mid-July.

Share price performance vs. TecDAX (indexed)



General Meeting

The fifth Ordinary General Meeting of plenum AG was held on July 8, 2003 at the Kurhaus Wiesbaden. Around 50% of the capital stock was represented (previous year: 55%).

The activities of the Managing Board and the Supervisory Board were approved, and all other items on the agenda subject to a vote were approved in line with the recommendations made by the Company's management.

Also on the agenda was the re-election of two members of the Supervisory Board whose terms of office ended with this General Meeting. Michael Bauer, Chairman of the Supervisory Board, and Dr. Wolfgang Händel were re-elected and will continue to assist plenum AG with their expertise and high degree of dedication in their Supervisory Board function.

Treasury shares and subscription rights

As of June 30, 2003 plenum AG or other companies as defined by section 160 (1) clause 2 of the Aktiengesetz (AktG – German Public Companies Act) continued to hold 16,790 treasury shares of plenum AG.

No convertible bonds or similar securities as defined by section 160 (1) clause 5 of the AktG had been issued as of June 30, 2003.

As of June 30, 2003, 394,100 subscription rights had been issued in accordance with section 192 (2) clause 3 of the AktG. 86,700 of these related to the executive bodies of plenum AG.

Shareholder structure (directors' holdings)

plenum AG's registered capital was unchanged at 9,577,068 no-par value shares as of June 30, 2003.

Shares, Managing Board members

	Hartmut Skubch	Klaus Gröne	Bernhard Achter	Heinz Stoll	Total
	Number of shares				
Dec. 31, 2002	2,167,754	20,453	0	531,500*	2,719,707
June 30, 2003	2,167,754	20,453	0	531,500*	2,719,707

* Indirect shareholding

Subscription rights, Managing Board members

	Hartmut Skubch	Klaus Gröne	Bernhard Achter	Heinz Stoll	Total
	Number of shares				
Dec. 31, 2002	56,500	25,200	5,000	0	86,700
June 30, 2003	56,500	25,200	5,000	0	86,700

Shares, Supervisory Board members

	Michael Bauer	Dr. Wolfgang Händel	Norbert Rohrig	Total
	Number of shares	Number of shares	Number of shares	Number of shares
Dec. 31, 2002	370,360*	3,500	700	374,560
June 30, 2003	370,360*	3,500	700	374,560

* Indirect shareholding

The Supervisory Board members of plenum AG do not hold any subscription rights for shares of plenum AG.

Income Statement

€ thousands	Jan. 1 – June 30, 2003	Jan. 1 – June 30, 2002
Revenues	20,701	24,100
Cost of revenues	–16,924	–17,254
Gross profit/loss	3,777	6,846
Selling and marketing expenses	–2,808	–3,023
General and administrative expenses	–1,974	–1,821
Research and development	–18	–1,282
Other operating income and expenses	1,104	227
Operating income	81	947
Income from investments and participations	112	832
Result before income taxes	193	1,779
Income tax	–56	–72
Loss from discontinued operations	0	–443
incl. Income tax benefit	0	283
Net income	137	1,264
Earnings per share (in EUR)		
from continued operations	0.01	0.18
from discontinued operations	0.00	–0.05
from net income	0.01	0.13
Weighted average shares outstanding (undiluted)	9,577	9,577
Weighted average shares outstanding (diluted)	9,577	9,577

Consolidated balance sheet

Assets € thousands	June 30, 2003	December 31, 2002
Cash and Cash Equivalents	9,355	13,305
Trade accounts receivable	5,702	5,942
Inventories	226	12
Prepaid expenses and other current assets	2,244	1,367
Total current assets	17,527	20,626
Property, plant and equipment	1,787	2,224
Intangible assets	605	686
Investments	106	107
Notes receivable/loans	1,032	1,007
Total longterm assets	3,530	4,024
Total Assets	21,057	24,650

Liabilities and shareholders' equity € thousands	June 30, 2003	December 31, 2002
Short term debt and current portion of long-term debt	100	102
Trade accounts payable	1,433	1,298
Advance payments received	308	2,517
Accrued expenses	7,401	8,948
Deferred taxes	69	14
Other current liabilities	771	894
Total current liabilities	10,082	13,773
Long-term debt, less current portion	131	179
Deferred taxes	52	61
Pension accruals	890	872
Shareholders' equity		
Share Capital	9,577	9,577
Additional paid-in capital	14,151	14,151
Treasury Stock	-83	-83
Retained Earnings/Accumulated deficit	-13,743	-13,880
Total Shareholders' equity	9,902	9,765
Total Liabilities and Shareholders' equity	21,057	24,650

Cash Flow Statement

€ thousands	Jan. 1 – June 30, 2003	Jan. 1 – June 30, 2002
Consolidated earnings	137	1,264
Adjustments:		
Depreciation and Amortization	573	983
Net results from disposal of intangible assets and property, plant and equipment	60	–13
Proceeds from the disposal investments		–765
Other non-cash expenditure/income	–25	8
Changes in assets & liabilities:		
Changes in inventories	–214	–86
Changes in receivables	240	1,589
Changes in prepaid expenses and other current assets	–877	1,754
Changes in trade accounts payable	135	–1,509
Changes in other liabilities	–2,332	–434
Changes in accrued expenses	–1,529	–2,047
Changes in other assets and liabilities	46	–373
Net cash from operating activities	–3,786	371
Proceeds from the disposal of intangible assets, property, plant and equipment	9	44
Proceeds from disposal of investments	0	852
Payments for purchase of intangible assets, property, plant and equipment	–123	–508
Net cash from investing activities	–114	388
Changes in debt	–50	–120
Changes in equity	0	–730
Net cash from financing activities	–50	–850
Decrease in cash & cash equivalents	–3,950	–91
Cash & cash equivalents at beginning of period	13,305	7,513
Cash & cash equivalents at end of period	9,355	7,422

Statement of changes in shareholders' equity

	Number of shares in thou.	Compre- hensive Income € thou.	Share capital € thou.	Additional paid-in capital € thou.	Retained earnings € thou.	Other Compre- hensive Income € thou.	Total share- holders' equity € thou.
Dec. 31, 2001*	9,577		9,577	14,068	–3,223	0	20,422
Consolidated earnings		–10,657			–10,657		–10,657
Dec. 31, 2002	9,577		9,577	14,068	–13,880	0	9,765
Consolidated earnings		137			137		137
June 30, 2003	9,577		9,577	14,068	–13,743	0	9,902

* Restatement of prior year figures, refer to note 10 of annual report 2002

General information

This consolidated interim report of plenum AG was prepared in accordance with U.S. GAAP principles for interim reporting and has not been audited. Certain detailed information and disclosures in the notes, included in the U.S. GAAP annual financial statements, have been summarized or omitted here.

It is the opinion of the management of plenum AG that this consolidated interim report takes into account all the current transactions and deferrals necessary to guarantee a true and fair view of the interim results.

This consolidated interim report should be read in conjunction with the audited consolidated financial statements of plenum AG as of December 31, 2002 and the disclosures in the notes contained therein.



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