

Interim report 3/2003

(US-GAAP) as of September 30, 2003



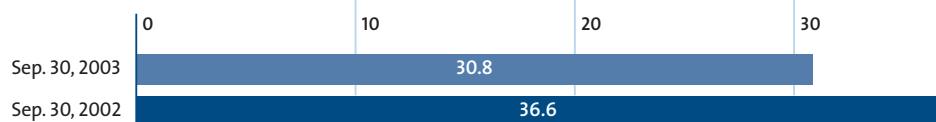
...) plenum . . .

Letter to Shareholders

plenum Group – key figures (US-GAAP)

in € thousands	Jan. 1 – Sep. 30, 2003	Jan. 1 – Sep. 30, 2002
Revenues	30,795	36,620
Gross profit	5,456	9,629
EBITDA	919	2,215
EBIT	82	808
Group net profit	262	723
Earnings per share (in EUR; undiluted/diluted)	0.03	0.08
Shares outstanding (basic; undiluted/diluted in thousands)	9,577	9,577
Equity ratio as at Sep. 30, 2003 / Dec. 31, 2002	46%	40%
Net liquidity *) as at Sep. 30, 2003 / Dec. 31, 2002	8,468	10,686
Employees as at Sep. 30, 2003 / Dec. 31, 2002	296	338
*) Liquid funds less bank liabilities and advance payments received		

Group revenues in € mio.



Organizational structure of the plenum Group



Dear shareholders and business partners,

In the last 24 months, the IT and communication market was marked by considerable reluctance to invest on the part of customers and high competitive pressure.

Our goal for fiscal year 2003 was to stabilize business under the difficult market conditions forecast and, in particular, to generate a positive result. With revenues of EUR 10.1 million (Q1: EUR 10.6 million, Q2: EUR 10.1 million) and a positive result, we have again reached this goal in Q3. However, at EUR 30.8 million, revenues are down 16% as against the previous year. Nevertheless, we generated EBITDA of almost EUR 1 million after nine months and net income of around EUR 0.3 million.

Given that in 2002, we recorded revenues totaling EUR 47.5 million and a consolidated loss of EUR -10.7 million, the current forecast of around EUR 40 million and a consolidated net profit shows that the measures implemented under the FOKUS program with the aim of "profitability before growth" have been successful. The headcount was adjusted by around 21% (338 employees as of December 31, 2002; expected figure of approx. 270 employees as of December 31, 2003).

This involved adapting the size of our Company and its organizational structure to the changed market conditions. At the same time, we focused our strategic positioning and broadened our customer base via targeted market activities. The economic situation still presents plenum with challenges in the form of smaller project volumes and increased price pressure, as well as the continued reluctance on the part of customers to make investment decisions.

Current market forecasts for fiscal year 2004 indicate positive trends. Thanks to its good positioning and the restructuring measures we have implemented, plenum will capitalize on a sustained economic recovery and will be able to systematically leverage market opportunities in 2004. As in fiscal year 2003, profitability will be management's highest priority in 2004.

Wiesbaden, November 2003

Hartmut Skubch
Chairman of the Managing Board



Interim management report

Economic environment

The weak economic situation in 2003 is evident from the current economic data: GDP will remain flat in 2003 and only in 2004 marginal growth of around 1.5% is expected. This led to a considerable reluctance to invest throughout 2003, in particular in IT and communication services. The industry association BITKOM is expecting a decline of 1.2% in the IT service market as a whole in 2003, and decreases of –5% and –4% in the consulting and implementation segments respectively. Only the outsourcing segment is currently showing signs of growth.

Forecasts for 2004 predict marginal growth of around 1.5% for the market as a whole, a slight decrease in management consultancy services, and growth of 1% in the implementation market. The cautiously optimistic outlook for next year was evident in the last few weeks in a noticeable increase in project inquiries and offers. However, this is partially offset by continued strong competition and greater price sensitivity in tender situations. Banks and insurers in particular will continue to face challenges in 2004.

Business developments and earnings situation

In the first nine months of 2003, plenum generated revenues totaling EUR 30.8 million, a decrease of around –16% as against the previous year (EUR 36.6 million). Revenues in Q3 remained in line with the previous quarter's figures at around EUR 10.1 million (Q2: EUR 10.1 million).

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to around EUR 0.9 million after nine months, as against EUR 2.2 million in the same period of the previous year. In the previous quarter, EBITDA amounted to just EUR 0.3 million, and there was little change in Q3. After nine months, plenum's net income totaled around EUR 0.3 million (previous year: EUR 0.7 million). Earnings per share amounted to EUR 0.03 after nine months (previous year: EUR 0.08) for 9,577,068 no-par value shares in each case.

In the year-on-year comparison, however, note that due to restructuring measures and write-downs at the end of the year, we recorded in total negative EBITDA in the amount of EUR –1.1 million and a consolidated loss of EUR –10.7 million.

Cost development

In Q3, gross profit as well as selling and marketing expenses remained at the same level as the previous quarter, at around 17% and 13% respectively.

The increase in research and development expenses results predominantly from projects initiated as part of the FOKUS program designed to focus our positioning.

The balance of other operating income and expenses is again positive – as in the previous quarter – primarily due to the fact that certain provisions are no longer necessary.

The deferred tax liabilities recognized in Q2 were reversed in Q3.

Net assets and financial position

Cash and cash equivalents amounted to around EUR 9.1 million after the first nine months of 2003. In comparison with the very high level at the end of 2002 (EUR 13.3 million), this figure has fallen as expected by around 30%. However, at around EUR 9.4 million, cash and cash equivalents remained virtually unchanged as against the previous quarter.

The substantially lower decline in net liquidity over the same period, at 21%, is due in particular to the simultaneous reduction in advance payments received, from EUR 2.5 million to around EUR 0.6 million. One of the main reasons for the development of this balance sheet item is the payment terms and dates in the Company's large project business, which regularly cause such fluctuations. As forecast, cash flow from operating activities also totaled around EUR –4.0 million in the first nine months of 2003, although at just on EUR –0.2 million, net cash outflows slowed considerably in Q3.

At the end of Q3 the equity ratio was at 46% and increased as against the end of fiscal year 2002 (Dec. 31, 2002: 40%).

Outlook

Our goal for fiscal year 2003 was to stabilize business under the difficult market conditions forecast and, in particular, to generate a positive result. The Managing Board is forecasting stable revenue growth for Q4 as well, contributing to revenues for fiscal year 2003 as a whole of around EUR 40 million and a consolidated net profit.

The Managing Board is convinced that, thanks to its current positioning, plenum will benefit from a recovery of its markets and will be able to systematically leverage market opportunities. The cost structure, which was optimized in the current fiscal year, will also enable improved earnings development. In 2004, we will again continue to focus on the Company's profitability.

Segment information in € million	Jan. 1 – Sep. 30, 2003	Consulting	Systems	Communication	Total
Net sales	CY	4.4	17.9	8.5	30.8
	PY	8.5	16.9	11.2	36.6
Internal Sales	CY	1.5	0.4	0.2	2.1
	PY	0.9	0.8	0.2	1.9
Gross sales	CY	5.9	18.3	8.7	32.9
	PY	9.4	17.7	11.4	38.5
Segment costs	CY	–5.3	–17.5	–8.1	–30.9
	PY	–7.0	–16.2	–11.0	–34.2
Internal Operating Profit (IOP)	CY	0.6	0.8	0.6	2.0
Margin		10%	4%	7%	6%
	PY	2.4	1.5	0.4	4.3
		26%	8%	4%	11%

CY = Current year, PY = Prior year

Reconciliation of operating segment results in € million	Jan. 1 – Sep. 30, 2003	Jan. 1 – Sep. 30, 2002
IOP	2.0	4.3
Group wide costs and consolidation effects	–1.1	–2.1
EBITDA	0.9	2.2
Depreciation	–0.8	–1.4
Financial results, taxes and minority interests	0.2	0.6
Extraordinary results and results from discontinued activities	0.0	–0.7
Group net income	0.3	0.7

Segment reporting disclosures

In the first nine months, the average return for the business units was 6%, as against 7% in the previous quarter and 12% in Q3/2002.

plenum Management Consulting

As in H1/2003, Q3 was characterized by continuing weaknesses in the IT service market. However, Management Consulting was able to stabilize its revenues in Q3. Quarter-on-quarter gross revenues remained almost unchanged at EUR 1.8 million as against EUR 1.9 million in Q2. Overall, gross revenues of EUR 5.9 million were generated in the period up to the end of September 2003, as against EUR 9.4 million in the same period of the previous year. Thus, Consulting contributed around 18% of plenum AG's total gross revenues in the first nine months, as against roughly 24% in the previous year.

As a result of this continued weak revenue development, the business unit's internal operating profit (IOP) for the first nine months declined to EUR 0.6 million, considerably lower than in the previous year (EUR 2.4 million).

In Q3, a focus of consulting was on the energy provider market. plenum's consultants assisted many companies in optimizing their IT units. Projects were principally implemented in IT-Governance and Shared Services. Setting up shared, regional service companies reduces costs for standard processes (for instance, invoice processing).

In the banking and insurance market, Management Consulting advised many prominent companies in Q3 and successfully continued ongoing projects. A focus here was on drawing up and introducing service level

agreements for the efficient and cost-optimized management of IT services. There was also demand for support to plan strategic IT investment programs as part of annual budget preparations for the coming fiscal year as well as support for thus resulting realization projects.

plenum's consultants worked with experts from plenum Communication to develop a change management concept for a large industrial company. The aim was to improve sickness absence statistics by means of targeted communication measures, an improvement in employee motivation and coaching for executives.

plenum Systems

In the first nine months of 2003, plenum Systems' gross revenues rose more than 3% against the previous year to EUR 18.3 million (previous year: EUR 17.7 million). The business unit's share of revenues was around 56% (previous year: 46%). At EUR 6.3 million, the unit increased its revenues in Q3 by around 9% as against the previous quarter (EUR 5.8 million). Quarterly fluctuations in revenues are due to settlement terms in the unit's large project business. With an internal operating profit totaling EUR 0.8 million, plenum Systems again generated positive net results.

plenum Systems worked together with consultants from Consulting to support a large insurance company in the development of its IT systems. In addition to a long-term IT strategy to further develop and streamline the entire IT applications architecture, the focus of the project was to systematically optimize IT systems to support business processes.

Other disclosures

In Q2, plenum Systems had already implemented a major project to design and build a data warehouse for an insurance company in Southern Germany. In Q3, the customer not only extended the contract, but also contracted plenum Systems to undertake a preliminary study of the development of an application for reinsurance activities.

A consulting project to optimize and introduce an IT framework was agreed with a service provider in the pharmaceuticals sector. The goal is to market this solution jointly in the future. Initial implementation activities have already begun.

In Q3, after working with plenum Systems for around 18 months as part of the existing development partnership in the Phoenics project, the ARGE of the professional Association for the German Construction Industry reiterated the ongoing collaboration for the year ahead. Current planning in the development project envisages completion of release 1 by mid-2004 and of release 2 by the end of the year.

plenum Communication

plenum Communication's gross revenues slipped to EUR 8.7 million after nine months as against the previous year (EUR 11.4 million). At Eur 2.7 million the decrease in revenues was considerably slowed in Q3. The positive development in H1 continued on the earnings side: with an IOP of EUR 0.2 million in Q3, the unit recorded earnings totaling EUR 0.6 million, a margin of 6% for Q1-Q3 2003. After a negative margin of -3% recorded in fiscal year 2002, this is evidence of the positive effects of the adjustment measures implemented last year.

In Q3, plenum Communication recorded a perceptible increase in demand for its tender and pitch inquiries with numerous successes in winning new customers. The most prominent addition is the premium beer brand, Bitburger. The communication service provider is the lead agency online responsible for the relaunch of B2C, B2B and B2E pages.

For some months now, T-Mobile has been relying on the Internet expertise of plenum Communication, and commissioned additional innovative content for the t-zones online portal in Q3. "t-zones demo", the online project launched at the beginning of the year, received international recognition at the London International Advertising and Design Awards 2003 (LIAA), where it was nominated for the final round. Classic offline-communication and public relations were also able to demonstrate their broad service offerings, securing numerous accounts in the new customer business.

Another highlight in Q3 was the publication of the book about the bruno banani-story, "Wachstumschancen einer Unterhose oder: Wie man einen Markt erregt" ("Growth opportunities from Underpants: How to Stir Up a Market"). The two authors, Wolfgang Jassner, Managing Director of bruno banani Underwear GmbH, and Gerhard Fischbach, Managing Director of plenum Communication, tell the story of the ten-year success of the bruno banani designer brand. The book is an impressive documentation of how innovative marketing strategies can also prove successful on the market in economically difficult times.

Booked business

The further decrease in booked business from EUR 10.2 million at the end of H1 to EUR 8.8 million at the end of Q3 is due in particular to the progress in the first Phoenics project. Contract negotiations on the continuation of the project already planned are still in process, and are therefore not reflected in the current booked business.

Investments

The company made no significant investments in the first nine months of 2003.

Employees

The number of staff employed by plenum AG fell in the past three months – as announced in the previous quarter – by around 8% to 296 (Q2: 322). Overall, this represents a drop of 12% as against the previous year's figure of 338 employees.

Risk development

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

Significant events

There were no significant events requiring disclosure after the close 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 September 30, 2003.

plenum's shares

With the positive development on the capital markets up to mid-September leading to new highs for the year, investors took profits at the end of Q3, accompanied by noticeable share price adjustments in some cases. The upward trend has restarted since mid-October, reinforced by positive news from many companies. The DAX recovered by around 20% since the beginning of the year, and by about 50% as against its spring low. The TecDax also recorded an increase of almost 70% by the end of October since the first calculation of the index in March.

plenum AG's shares continued to record an unbroken upward trend in Q3. After they had stabilized at the level of the beginning of the year (€ 1.80) at the end of September, our shares rose by a further 20% over the course of the following weeks.

Share price performance vs. TecDAX (indexed)



Against its spring low, plenum AG's shares recorded till midmonth November an increase of more than 100%.

To stabilize this positive development, plenum significantly intensified its investor relations activities in H2. Before the end of the year, a prominent research house will publish a study on plenum's shares.

Treasury shares and subscription rights

As of September 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 September 30, 2003.

As of September 30, 2003, 373,800 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 September 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
Sep. 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
Sep. 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
Sep. 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	Q3/2003	Q3/2002	Jan. 1 – Sep. 30, 2003	Jan. 1 – Sep. 30, 2002
Revenues	10,094	12,520	30,795	36,620
Cost of revenues	–8,415	–9,737	–25,339	–26,991
Gross profit/loss	1,679	2,783	5,456	9,629
Selling and marketing expenses	–1,340	–1,598	–4,148	–4,621
General and administrative expenses	–685	–785	–2,659	–2,606
Research and development	–116	–604	–134	–1,886
Other operating income and expenses	463	65	1,567	292
Operating income	1	–139	82	808
Income from investments and participations	51	228	163	1,061
Result before income taxes	52	89	245	1,869
Income tax	73	–325	17	–397
Loss from discontinued operations	0	–306	0	–749
incl. Income tax benefit	0	196	0	479
Net income	125	–542	262	723
Earnings per share (in EUR; diluted/undiluted)				
from continued operations	0.02	–0.02	0.03	0.16
from discontinued operations	0.00	–0.03	0.00	–0.08
from net income	0.02	–0.05	0.03	0.08
Weighted average shares outstanding (diluted/undiluted)	9,577	9,577	9,577	9,577

Consolidated balance sheet

Assets € thousands	Sep. 30, 2003	Dec. 31, 2002
Cash and Cash Equivalents	9,121	13,305
Trade accounts receivable	7,060	5,942
Inventories	382	12
Prepaid expenses and other current assets	1,950	1,367
Total current assets	18,513	20,626
Property, plant and equipment	1,609	2,224
Intangible assets	561	686
Investments	107	107
Notes receivable/loans	1,044	1,007
Total longterm assets	3,321	4,024
Total Assets	21,834	24,650

Liabilities and shareholders' equity € thousands	Sep. 30, 2003	Dec. 31, 2002
Short term debt and current portion of long-term debt	100	102
Trade accounts payable	1,573	1,298
Advance payments received	553	2,517
Accrued expenses	7,694	8,948
Deferred taxes	0	14
Other current liabilities	830	894
Total current liabilities	10,750	13,773
Long-term debt, less current portion	111	179
Deferred taxes	47	61
Pension accruals	899	872
Total longterm liabilities	1,057	1,112
Share Capital	9,577	9,577
Additional paid-in capital	14,151	14,151
Treasury Stock	–83	–83
Retained Earnings/Accumulated deficit	–13,618	–13,880
Total Shareholders' equity	10,027	9,765
Total Liabilities and Shareholders' equity	21,834	24,650

Cash Flow Statement

€ thousands	Jan. 1 – Sep. 30, 2003	Jan. 1 – Sep. 30, 2002
Consolidated earnings	262	723
Adjustments:		
Depreciation and Amortization	837	1,407
Net results from disposal of intangible assets and property, plant and equipment	60	100
Proceeds from the disposal investments	0	–930
Other non-cash expenditure/income	–25	–28
Changes in assets & liabilities:		
Changes in inventories	–370	153
Changes in receivables	–1,118	2,684
Changes in prepaid expenses and other current assets	–583	1,217
Changes in trade accounts payable	275	–1,243
Changes in other liabilities	–2,028	–303
Changes in accrued expenses	–1,227	553
Changes in other assets and liabilities	–40	–50
Net cash from operating activities	–3,957	4,283
Proceeds from the disposal of intangible assets, property, plant and equipment	10	61
Proceeds from disposal of investments	0	1,017
Payments for purchase of intangible assets, property, plant and equipment	–167	–508
Net cash from investing activities	–157	570
Changes in debt	–70	–120
Changes in equity	0	–730
Net cash from financing activities	–70	–850
Decrease in cash & cash equivalents	–4,184	4,003
Cash & cash equivalents at beginning of period	13,305	7,513
Cash & cash equivalents at end of period	9,121	11,516

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.
Jan. 01, 2002*	9,577		9,577	14,068	–3,223	0	20,422
Consolidated earnings	723				723		723
Other changes in capital				245	–976		–731
Sep. 30, 2002	9,577		9,577	14,313	–3,476	0	20,414
Jan. 01, 2003	9,577		9,577	14,068	–13,880	0	9,765
Consolidated earnings	262				262		262
Sep. 30, 2003	9,577		9,577	14,068	–13,618	0	10,027

* 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 the United States Generally Accepted Accounting Principles (US-GAAP) for interim reporting and has not been audited. Certain detailed information and disclosures in the notes, included in the US-GAAP consolidated financial statements, have been summarized or omitted here.

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. The notes contained therein also apply to this interim report and are only cited where there are explicit changes.

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.



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