Annual Report 2003

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plenum Group key figures in € thousands	Jan. 1 – Dec. 31, 2003	Jan. 1 – Dec. 31, 2002	Jan. 1 – Dec. 31, 2001	Jan. 1 – Dec. 31, 2000	Jan. 1 – Dec. 31, 1999
Revenues	**40,266**	47,474	64,957	47,182	25,680
Gross profit	**6,590**	10,265	19,369	19,630	10,654
EBITDA	**1,236**	–1,103	5,086	4,591	3,852
EBIT	**128**	–7,120	3,430	3,273	2,947
Group net loss	**209**	–10,657	–11,631	1,818	1,870
Earnings per share in € (undiluted)	**0.02**	–1.11	–1.21	0.22	0.27
Shares outstanding (basic, in thousand)	**9,577**	9,577	9,577	8,123	6,872

plenum group key figures	2003	2002	2001	2000	1999
Equity ratio as at December 31	**50 %**	40 %	61 %	70 %	83 %
Cash and cash equivalents as at Dec. 31 (in € thousand)	**8,103**	13,305	7,513	6,195	9,976
Net liquidity[1] as at Dec. 31 (in € thousand)	**7,351**	10,686	6,976	4,631	9,906
Working Capital (in € thousand)	**8,126**	6,875	11,005	6,263	12,167
Longterm assets/ longterm debt and equity	**0.3**	0.4	0.5	0.8	0.6
Current assets / current liabilities	**2.0**	1.5	2.0	1.5	4.1
Average number of employees	**309**	399	390	245	148
Employees at year end	**269**	338	462	318	170

[1] Liquid funds less short-term bank liabilities and advance payments received

Contents

Letter to Shareholders

Dear shareholders and business partners,

After two years of losses, plenum generated a positive net income in 2003 despite the difficult economic environment. This is the result of the outstanding strengths of our employees – a strong team spirit, determination and a high degree of flexibility and commitment.

We began the financial year with a solid balance sheet structure. plenum had assessed balance sheet risks from prior years very carefully in its 2002 financial statements and eliminated them for the long term. This paid off in the course of 2003 – only the usual amount of additional risk provisions was necessary, and in some areas the reasons for provisions did no longer exist.

FOKUS program guaranteed market position and positive result in 2003

At the beginning of 2003, it became evident that the upturn hoped for particularly in the IT and communications sector would fail to materialize. Consequently, we launched the FOKUS program during spring. This was designed to systematically focus the Company's management on strengthening our core competencies and further optimizing our cost structure. The workforce was adjusted to reflect the market situation and reduced by approximately 20 %. To prevent the Company having to make any further cuts – which would inevitably have resulted in a noticeable loss of expertise, the entire management team waived its variable remuneration.

Despite this workforce reduction, revenues only fell by around 15 % and we were able to fulfill our revenue expectations for 2003 of EUR 40.3 million. This is due to our focus on our core competencies – optimizing IT departments, developing IT strategies for financial service providers and utility companies in particular, and developing communications solutions for producers of branded goods – as well as to the intensification of our existing customer relationships. Decision makers from over 100 companies took part in events on key industry topics that were organized by plenum.

Overall, plenum generated earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 1.2 million (previous year: loss of EUR 1.1 million). Net income for the period amounted to EUR 0.2 million compared to a net loss of EUR 10.7 million in the previous year. Earnings per share were thus EUR 0.02 compared with a loss of EUR 1.11 in 2002. As expected, liquidity leveled off at EUR 8.1 million (previous year: EUR 13.3 million) and thus remains at a high level. Liabilities to banks remained only marginal at EUR 0.1 million.

The improvement in our results would not have been possible without the high degree of commitment shown by all of plenum's employees. They not only fulfilled our customers' requirements reliably and on time – their solutions often exceeded customer expectations. The Management Board would like to warmly thank all of the Company's employees for their dedication in the past year.

Creativity despite cost pressure: what our customers demand

How can outstanding solutions be developed within a declining IT or marketing budget? This was the key question which our customers posed and hence the challenge we faced in 2003. Companies such as ERGO, Landesbank Hessen-Thüringen, Lufthansa and WWK engaged plenum because they trust in our creativity, performance and ability to get the job done.

All our business units generated positive results. plenum Systems increased its internal operating profit (IOP) from EUR 0.1 million in the previous year to EUR 1.1 million. plenum Communication also dramatically improved its IOP from EUR –0.4 million in 2002 to EUR +1.0 million in 2003. Only plenum Consulting achieved a result (IOP) of a mere EUR 0.6 million (previous year EUR 2.9 million), due to a substantial decline in revenues from EUR 12.0 million in the previous year to EUR 7.6 million in 2003.

Hand in hand with our customers

At the beginning of the year, plenum is generally optimistic about financial year 2004 – an assumption that is validated by our current booked business. As of the balance sheet date, the Company had orders worth of EUR 10.6 million in its books. After the end of the financial year, the duration of the development work for the Phoenics project was extended until December 31, 2004.

Through a close dialog between IT managers and plenum's management, the Company will be able to continue tailoring its services to the needs of major groups in 2004, particularly in the financial services industry. These customers are more and more intensively for ways of reducing their in-house IT and communications staff while at the same time ensuring access to cost-effective, specialist expertise at any time. plenum has developed a set of tools known as "Dynamic Sourcing™" which, in particular, substantially reduce our customers' risks from outsourcing projects, for example offshoring to India or nearshoring to Latvia. In this context, we will also be entering into partnerships for our customers' and our Company's benefit.

Cautiously optimistic

The Management Board makes a cautious assessment of the near-term economical development and its implications on plenum's business development. However, since the economy as a whole seems to be recovering and investment propensity in our customer markets is picking up noticeably, we expect an upturn in revenues in financial year 2004, primarily in the segments Management Consulting and Communication. Revenues in the Systems segment this year will continue to be dominated by the progress of the major Phoenics project, and will tie up to the level in 2003.

As a result of the plenum Group's improved cost structure and the fact that capacity utilization in financial year 2003 was still relatively low, a future increase in revenues will only incur very limited additional costs and will thus lead to a disproportionately strong rise in earnings. We therefore believe that there is considerable potential for plenum to substantially improve its earnings capacity going forward.

Wiesbaden, March 2004

Hartmut Skubch
Chairman of the Board
Managing Board

Heinz Stoll
Member of the
Managing Board

Klaus Gröne
Member of the
Managing

plenum – the Company

Strategic positioning

Our positioning as a provider of innovative, high-quality IT and communications solutions plus our extensive consulting expertise paid off in a difficult year 2003. Services that were particularly in demand included those relating to the strategic orientation and cost optimization of IT. Demand in the communications market focused as well on cost-effective and efficient solutions.

Industry expertise

Our expertise in the banking, insurance and utilities industries enabled us to develop tailored solutions that help our customers to enhance their performance in a difficult market situation.

One of our major target groups is that of IT system integrators belonging to large enterprises and groups. plenum itself played a key role in establishing 12 such group system integrators and is currently continuing to support them optimize their organizational structures and deploy the IT budget of their respective parent companies in a goal oriented manner.

A key focus in our agency business remains the branded goods industry – in particular fashion and food & beverage. By creatively combining various media, we were able to develop cost-efficient solutions that were extremely effective.

Expertise marketing – a factor for success

The past two years have shown that close customer relationships based on mutual trust, a focus on relevant customer needs and fair cooperation are the best means to guarantee successful operating business, even – and especially – in difficult market conditions. We expanded the dialog with our customers in the past twelve months by holding dedicated expertise marketing events: specialized expert forums allowed us to further develop our traditionally extremely good access to senior management into an active knowledge network. This form of customer dialog was so successful that we will not only be continuing but also intensifying it in future. We are in close contact with the decision makers at our customers and will therefore be among the first to profit from an increased tendency to invest. We therefore regard the long-established basis of trust that we have with our customers as a key success factor in plenum's future development.

Service portfolio

In the area of IT, we help our customers develop their IT strategy in line with future business developments, while adhering to given cost targets. The result is a project portfolio with plenum then offering as lead contractor and as a fixed price to implement those IT projects that require a command of innovative technologies. This enables us to create noticeable competitive advantages for our customers under difficult economic conditions, while only incurring acceptable risks. At the same time, we demonstrate that we can combine strategic consulting services with innovative, yet cost-effective implementation skills to our customer's benefit.

We also pass on these implementation skills as a consulting service to our customer's IT staff and work with them to optimize their processes, structures and working environments. This means that our advice remains authentic and offers substantially more than repeating textbook wisdom.

plenum's service chain for its communications solutions also begins with consulting services. Only when we have developed a sustainable idea together with the customer that is geared to the latter's strategic goals, we start to develop the solution in accordance with these goals. Our customers benefit from our command of all media instruments – especially given current cost pressure. The integration of these instruments, ranging from the Internet to TV advertising (PR campaign), enables us to create a solution that is not only highly innovative and compelling in terms of content, but is also affordable for the customer.

Using partners to cover the entire value chain

We will continue to offer our customers end-to-end solutions from the development of ideas through implementation. We will use our own staff primarily to cover the upstream part of the value chain, which requires extensive consulting services. However, our expertise in solutions also requires a sophisticated and systematic partner management. This enables us to leverage specialist knowledge when implementing projects and to act as lead contractor for our customers. We have intensively developed these skills during the last three years.

Dynamic Sourcing™

Our customers' IT departments also need to optimize their partner management. At the same time, they have to take into account not only declining IT budgets but also content-driven fluctuations in demand. The head of an IT department can hardly predict which of the company's business areas will perform well and therefore what IT expertise will be required. plenum has designed its DYNAMIC SOURCING™ tool especially to help large IT departments or in-house IT system integrators meet this completely new challenge. We have also found ways for our customers to move cost-effective software development to India (offshore) or to Eastern European countries (nearshore), while limiting the associated risks to an acceptable level.

Information technology remains a sector characterized by rapid technological development. Our focus and expertise will continue to be the cost-effective development of IT for our customers so that they are better equipped to achieve their strategic business objectives.

Selected customers

- Aachener und Münchener Versicherung
- Allianz Konzern
- Andreas Stihl AG
- AXA Konzern AG
- Bayerische Landesbank
- Berufsgenossenschaften (Bau-, Metall-, Nahrung- und Gaststätten)
- boerse-stuttgart AG
- bruno banani
- DaimlerChrysler
- Deutsche Leasing AG
- Deutsche Lufthansa AG
- ERGO-Konzern
- Frankfurter Sparkasse
- Gerling-Konzern
- Hamburger Sparkasse
- Henkel KGaA
- HypoVereinsbank AG
- Industrielle Werke Basel
- Landesbank Hessen-Thüringen
- Microsoft
- Novar GmbH
- R+V Versicherung AG
- Radeberger
- SIGNAL IDUNA Gruppe
- Sparkassen Versicherungen
- T-Mobile International AG
- Versorgungsanstalt des Bundes und der Länder
- Victoria Versicherung AG
- Wella AG
- Westdeutsche Landesbank
- Wuppertaler Stadtwerke AG
- WWK-Lebensversicherung a.G.

Our Employees

Particularly during the last two years, plenum has shown what makes the Company special: our employees put all their energy and professional and social skills into developing solutions that meet the challenges faced by our customers. The quality of their work often exceeds our customers' high expectations, thus creating the basis for long-term business relationships based on mutual trust: this commitment and dedication will continue to be a critical success factor for plenum in the future.

In addition, our employees have shown that they can accept even difficult company decisions such as the ones which had to be taken as a result of our revenue forecasts for financial year 2003. Thanks to our employees' dedication and flexibility, as well as their willingness to make sacrifices, we were able to ensure the Company's profitability and limit the scope of measures taken to adjust capacity. From today's perspective, our forecasts for fiscal year 2004 are more optimistic – plenum will increase its workforce again and extend its staff development programs.

Training initiative launched

We are focusing our service portfolio more strongly on those links in the supply chain that add value. As a result, the ability to manage partner companies during the process of service provision and the greater assumption of responsibility for results as lead contractor are increasingly important success factors for plenum. One of our priorities is therefore to systematically develop our employees' skills and therefore the quality of the services we provide in this area. plenum is developing a certification program for the service provision process and a certification program for project managers according to GPM standards (GPM = German Association of Project Management). Furthermore, a new training program for IT architects was developed using the many years' experience of Michael Bauer, a prominent IT expert and the Chairman of plenum's Supervisory Board. In addition, we will offer our employees a wide range of training courses designed to extend their professional, personal and methodological skills.

Occupational pension scheme expanded

plenum addressed the topic of pension schemes in detail in 2003. In addition to traditional direct insurance, which up to now has been the usual alternative for employees to provide for their retirement, the Company is now offering a pension fund. We are therefore offering our employees all requisites they need to take full advantage of the statutory assistance for occupational and private pensions.

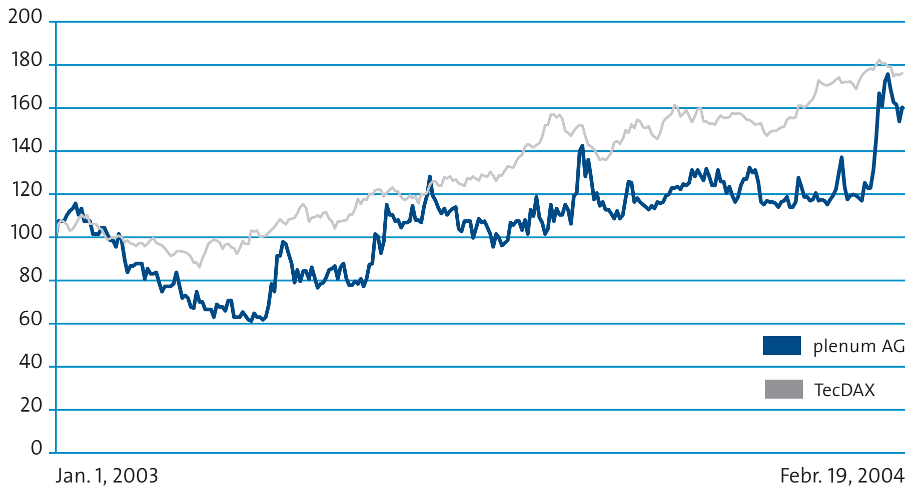
plenum's Shares

Although plenum's share price rose slightly in financial year 2003, its performance over the last twelve months failed to meet our expectations. Based on year-end prices, plenum's shares increased by slightly less than 20 % between the end 'of 2002 and the end of 2003. However, the TecDAX – the key benchmark index for our shares – performed better, climbing almost 50 % in the same period.

On balance, there are two main reasons why plenum's shares underperformed the index. Firstly, they trailed the TecDAX by several weeks in breaking out from the general downturn on the equity markets, which continued into spring 2003. Their subsequent recovery from mid-April to the end of September was largely in line with the TecDAX – although they exhibited the greater volatility typical of individual shares. Secondly, both the index and our shares then moved sideways until the end of the year. While the index was roughly in the middle of its sideways channel at the end of the year due to a short consolidation period, the higher volatility of plenum's shares meant that they finished the year at the bottom of their channel, at a share price of around EUR 2. Only towards the end of January 2004 did plenum's share price increase significantly – a trend that was confirmed and reinforced in February.

In terms of fundamentals, plenum's shares remained somewhat undervalued in financial year 2003. We turned our earnings around as a result of our cost-cutting measures and focus contentwise, and reported positive results throughout the financial year – despite the difficult market environment. Nevertheless, our shares were valued at only a fraction of revenues. Also, the prospect that additional revenue in fiscal year 2004 would translate into a substantial improvement in earnings given the new cost structure implemented in the previous year was not yet priced into plenum's shares in 2003. Several reports on plenum's shares issued buy recommendations, especially in the second half of 2003, or at least gave us a rating in line with market prospects.

Share price performance 2003 to 2004 (indexed)



One of the key goals of our investor relations work is to further reduce the volatility of plenum's shares. Timely and transparent reporting above and beyond plenum's obligations as a member of Deutsche Börse AG's Prime Standard are the main criteria for building the confidence of market players. Our focused attempts to broaden our existing shareholderbase got off to a successful start in December with an investment in the company by a new group of investors. The fact that plenum complies to a large extent with the standards contained in the German Corporate Governance Code also reflects the company's intention to design its principles of value-oriented and transparent company management and control are in line with generally accepted practices.

An overview of the shares and subscription rights held by the company's executive bodies is listed in Note 27 of the consolidated financial statements included in this Annual Report.

Information and key figures on plenum's shares 2003

Trading Data	
German sec. Code/ ISIN	690 100/ DE0006901002
Exchange symbol	PLE
Trading segment	Prime Standard
Stock exchanges	All eight German stocks exchanges plus Xetra
First day of trading	August 3, 1998

Key figures	
Closing price (Dec. 31)	1,96 €
Market capitalization (Dec. 31)	18,8 Mio €
High/low price 2003	2,39 € (Sept. 18)/ 1,02 € (April, 7)
Designated Sponsors	Landesbank Baden-Württemberg

Company Information	
Capital stock (Dec. 31)	9.577.068 €
No-par value shares (Dec. 31)	9.577.068

Shareholder structure (Dec. 31)	
Management	49 %
Free Float	51 %

Supervisory Board Report

The Supervisory Board performed its duties as required by the law and the company's Articles of Association throughout the financial year and supervised and advised the Management Board in its work.

The Supervisory Board met with the Management Board on five occasions in 2003 to discuss the company's position, strategic business planning and developments in the individual business units. In addition, the members of the Supervisory Board and the Management Board dealt with current events on the telephone or in person, and the Supervisory Board passed written resolutions.

The Management Board informed the Supervisory Board in depth about the business developments and financial position of the Company, its subsidiaries and investments during the meetings and as part of its quarterly reports. This was done both verbally and in writing.

In its meeting in March 2003, the Supervisory Board took note of plenum AG's 2002 financial statements and discussed them with the auditors. The financial statements were then approved and hence adopted by the Supervisory Board.

In its meeting in June, the Supervisory Board dealt with business developments and the financial result in the first quarter, as well as the preparation of the General Meeting. In July, the two Supervisory Board members Michael Bauer and Dr. Wolfgang Händel, whose period of office had expired, were re-elected to the Supervisory Board by the General Meeting. In the following meeting, the Supervisory Board elected Mr. Bauer as Chairman and Dr. Händel as Deputy Chairman.

In the meeting in August, discussions focused on the results for the second quarter and measures to increase sales performance.

The agenda for its November meeting included the report for the third quarter and year-end business forecasts. The Management Board presented its planning for 2004, which takes into account the cautiously optimistic economic development, and this was approved by the Supervisory Board. In addition, the By-Laws for the Supervisory Board and the amendments in accordance with the Corporate Governance Code were finalized. The Supervisory Board also conducted its annual efficiency assessment as part of this meeting.

Management Board member Mr. Bernhard Achter stepped down as managing director of plenum Systems GmbH in December and left the Company as of January 2, 2004. Mr. Klaus Gröne was appointed managing director of plenum Systems GmbH, while the Chairman of the Management Board, Mr. Hartmut Skubch, took over as Management Board member responsible for sales.

The annual financial statements of plenum AG and the consolidated financial statements in accordance with US-GAAP as of December 31, 2003, together with the accounts, were audited by the auditing company Deloitte & Touche, who issued an unqualified audit opinion.

These documents as well as the independent Auditors' Report were submitted to the Supervisory Board. They were reviewed by the Supervisory Board and discussed in detail in presence of the independent auditors. The Supervisory Board concurred with the auditors' findings and concluded its review with no objections. In its meeting on March 22, 2004, the Supervisory Board endorsed the 2003 consolidated financial statements and plenum AG's 2003 financial statements, thereby adopting them.

The Supervisory Board would like to thank all plenum's employees as well as the Management Board for their dedication over the past year which – despite the difficult economic situation – ensured the stable development of the company's operating business.

Wiesbaden, March, 2004
The Supervisory Board

Michael Bauer
Chairman

Michael Bauer
Chairman

Corporate Governance Report

Corporate Governance at plenum

The Management Board and the Supervisory Board have prepared the following report on Corporate Governance at plenum in accordance with the requirements of the German Corporate Governance Code (section 3.10):

plenum AG's Management Board and Supervisory Board are committed to achieving a long-term increase in enterprise value and cooperate closely in the interests of the Company. Their work is based on the responsible management and control of the Company with the goal of long-term value creation, which is achieved via efficient cooperation between the Management Board and the Supervisory Board, as well as an open, transparent communication policy. A key aspect of this is the focus on shareholder interests.

On December 19, 2003, the Management Board and the Supervisory Board issued their annual declaration of conformity with the recommendations of the Government Commission's German Corporate Governance Code as amended on May 21, 2003, in accordance with section 161 of the Stock Corporation Act (AktG – German Public Companies Act). This declaration was made permanently available to shareholders on the Company's website. plenum currently complies with the Code's recommendations, subject to a few exceptions which are mainly due to the Company's size and the structure of its executive bodies, and follows most of the Code's suggestions.

Shareholder rights & communication

Company information – and particularly ad hoc disclosures, press releases and reports – are made available online to all target groups at the same time. plenum also uses the Internet to publish disclosures by shareholders who have reached certain thresholds for company voting rights as a result of acquisitions, disposals or by other means, as well as disclosures by members of the executive bodies on the acquisition or sale of plenum shares in accordance with section 15a of the Wertpapierhandelsgesetz (German Securities Trading Act).

Shareholders are also informed about key dates via a financial calendar, which is published in the Company's Annual Report and on its website.

plenum AG's shareholders can either exercise their voting rights themselves at the Annual General Meeting or have an authorized representative of their choice, or a representative appointed by the Company, exercise their voting rights at the General Meeting according to their instructions. Notice of the convening of the General Meeting is given in stock exchange journals of record and via financial service providers and shareholders' associations. The documents relating to the General Meeting are also available on the Internet.

Cooperation between the Management Board and the Supervisory Board

The Management Board provides regular, timely and comprehensive reports on all relevant issues concerning the Company's development. The Management Board's information and reporting duties are specified by the Supervisory Board and relate in particular to the Company's strategic focus, business developments, the Group's position including its risk situation and risk management policy, as well as corporate planning. Where business developments deviate from the Company's plans and targets, these are also explained in detail. Decisions on the Company's strategic focus are agreed with the Supervisory Board and in certain cases require the latter's approval in accordance with the Articles of Association.

Contrary to the suggestions made by the Code, the D & O (directors and officers) insurance policies for plenum AG's Management Board and Supervisory Board members do not include a deductible. As a matter of principle, plenum takes the view that such a provision has no influence on the motivation and the high degree of responsibility with which the members of its executive bodies currently perform their duties.

The Management Board and the Supervisory Board: composition and regulations

Until the end of 2003, plenum AG's Management Board consisted of four members. Its Chairman is the Company's founder, Hartmut Skubch. Following the departure of Bernhard Achter and the reassignment of his duties to Klaus Gröne and Hartmut Skubch, the Management Board now consists of three members.

In addition to governing the allocation of work and the way in which the members of the Management Board cooperate with each other, the Management Board's By-Laws contain regulations detailing its reporting duties to the Supervisory Board. They also stipulate the decisions which must be taken by the entire Management Board and list the business transactions which require the approval of the Supervisory Board.

plenum AG's Supervisory Board currently consists of three members and, given its structure and size, has not formed any committees to date. Development of By-Laws in accordance with the Code's recommendations was finalized in financial year 2003. These By-Laws contain regulations governing the aspects proposed in the Corporate Governance Code and generally provide for the formation of committees.

Management Board and Supervisory Board members immediately disclose any conflicts of interest to the Supervisory Board. During the period in which they are active on behalf of plenum AG, members of the Management Board are subject to comprehensive non-compete agreements. Secondary occupations require the prior approval of the Supervisory Board. Any transactions involving a member of the Management Board and the Company must be concluded by the Supervisory Board acting on behalf of the Company.

There were no conflicts of interest between the members of the Management Board and the Supervisory Board and the Company in the past financial year.

Consulting and other service and work contracts concluded by Supervisory Board members with the Company require the approval of the Supervisory Board. The Company has entered into a service contract with the Chairman of the Supervisory Board, Michael Bauer, relating to his role as a speaker at IT seminars held by plenum Systems. Another member of plenum AG's Supervisory Board, Dr. Händel, has entered into a consulting contract with the Company to provide support in the area of M & A and finance.

Additional mandates held by Management Board and Supervisory Board members are presented at the end of the Financial Report.

Compensation of the Management Board and the Supervisory Board

The Management Board members receive fixed and variable compensation components. In addition to granting a bonus to the Management Board members, the Supervisory Board can award other variable compensation components in the form of stock options. The criteria for compensation relate in particular to the Company's success in the past fiscal year, its economic position and future prospects, as well as Management Board members' duties and achievements. The Company does not comply with the recommendation to publish information about the compensation system on the Internet. The Chairman of the Supervisory Board will inform plenum AG's Annual General Meeting about the basic features of the compensation system and changes to it.

plenum AG follows the Code's recommendations with regard to the disclosure of the Management Board's remuneration according to fixed, performance-related components and components with a long-term incentive effect. It does not comply with the recommendation to publish this information on an individualized basis. In financial year 2003, compensation paid to members of the Management Board amounted to EUR 1,083 thousand. Variable remuneration accounted for EUR 113 thousand of the total figure. No stock options were granted to Management Board members in 2003.

In accordance with Article 13 of the Articles of Association, the Supervisory Board members currently receive compensation consisting of a fixed component of EUR 5,000 and an attendance allowance of EUR 1,000 per meeting, in addition to out-of-pocket expenses. The Chairman receives twice the amount of fixed compensation. In financial year 2003, the members of the Supervisory Board were granted compensation totaling EUR 29 thousand.

Accounting and auditing

plenum prepares its accounts in accordance with United States Generally Accepted Accounting Principles (US GAAP). During the financial year, the Company provides information on current business development in the form of quarterly reports. For cost reasons, plenum continues to publish its interim reports in accordance with the legal requirement of 60 days and therefore does not follow the Code's recommendations in this respect.

The Chairman of the Supervisory Board has agreed with the independent auditors, Deloitte & Touche, Frankfurt, that he will be informed immediately of any reasons for the independent auditors to be excluded or considered biased that arise during the audit. The independent auditor will also notify the Supervisory Board without delay of all findings and events that are revealed in the course of the audit and that materially affect the duties of the Supervisory Board.

In addition, it was agreed that the independent auditors will inform the Supervisory Board and/or note in the Auditors' Report if the audit reveals facts that result in the declaration given by the Management Board and the Supervisory Board in accordance with section 161 of the AktG being incorrect.

Group Management Report

1. Market and industry development

Persistent weak economy

Global economic growth in 2003 varied again extremely from region to region. The USA was the fastest growing economy of all the major industrialized countries, recording a 3.1% increase in gross domestic product (GDP) in real terms, while both the eurozone and the European Union as a whole, lagged far behind. According to preliminary estimates made by Eurostat, the Statistical Office of the European Communities, real GDP growth in Europe in 2003 actually slowed compared to prior year. In the eurozone, it increased by only 0.4% compared with 0.9% in 2002, and within the 15 EU countries by 0.7% versus 1.0%.

However, Germany is well below the European average and experienced continued economic stagnation in 2003. Total economic output declined in the first half of the year due to the weak domestic economy and the strong decline in exports. Although signs of improvement became apparent from the middle of the year onwards, particularly in exports, they were insufficient to reverse the overall trend for 2003. Thus, the *Statistisches Bundesamt* (the German Federal Statistical Office) has calculated that the German GDP declined by 0.1% in 2003. The ongoing crisis in the construction industry as well as the sharp fall in equipment investments both led to a decrease in capital expenditures of 3.3%. Even private consumption shrank by 0.2%. The 1.1% increase in exports – Germany's growth driver in recent years – was not enough to absorb such declines.

First signs of improvement

The effects of the ongoing slow economy on demand for investment in plenum's core sectors – primarily insurance companies and financial services providers – continued to be felt in 2003 after an already difficult year 2002. At least, there was no further decrease in market volume according to the *Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.* (BITKOM – the German Federal Association for Information Technology, Telecommunications, *and New Media*). This was mainly due to a market recovery towards the end of the year. As in 2002, revenues totaled around EUR 131 billion in 2003, although the sector downsized around 30,000 jobs. According to current forecasts for 2004, growth of around 2% can be expected for the sector as a whole.

Although, BITKOM believes that the prospects for 2004 will vary similarly as the development of individual market segments in 2003. The market for software products turned around in 2003 to record a slight increase, while growth of approximately 4% is expected for 2004. In contrast, the IT services market experienced a modest decline in revenues of around 1% in 2003 and will only turn around in 2004, with a growth rate of roughly 2%. The main priority for customers remains the optimization of IT systems and business processes, in addition to the overall better utilization of existing resources. Demand for new, large-scale IT solutions continues to be limited.

Revenue from management consulting services remained almost unchanged in 2003, according to the *Bundesverband Deutscher Unternehmensberater, BDU e.V.* (German Association of Management Consultants): at EUR 12.2 billion, total revenue essentially matched that of the previous year (EUR 12.3 billion). This was primarily due to a revival in demand in the last quarter. The market for IT consulting, which is the relevant market for plenum, stayed virtually the same at EUR 3.57 billion (previous year: EUR 3.61 billion).

According to the *Zentralverband der deutschen Werbewirtschaft* (German Advertising Federation), the communications sector developed in a similar manner, with total revenues falling to EUR 29 billion (previous year: EUR 30 billion). Overall, the downward trend in the German advertising market has more or less reached the bottom and modest growth of between 1% and 2% is predicted for 2004.

2. Business development in 2003

The plenum Group achieved its main objective of generating positive Group net income in financial year 2003. This figure amounted to EUR 0.2 million compared with a loss of EUR 10.7 million in the previous year. As expected, plenum could not maintain its revenues at the previous year's level, recording a decline of 15 % from EUR 47.5 million to EUR 40.3 million in financial year 2003. This was due to the weak economy and the related customer restraint in spending on consulting services, IT solutions, advertising and communications services.

The main reason for plenum's very solid earnings development despite the fall in revenues was the early adjustment of our cost structure in line with revenue forecasts. plenum already implemented measures and adjusted its cost structure to reflect the downturn in the market back in financial year 2002. In financial year 2003, the company's decisions were again governed by the need to secure its profitability and market position.

Revenues

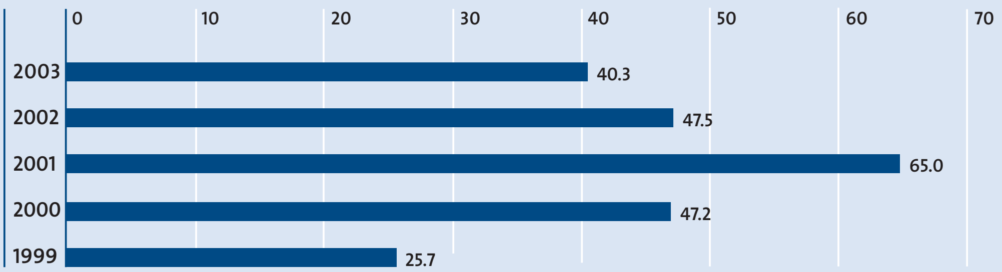
Overall, plenum's revenues remained virtually stable throughout financial year 2003, although seasonal factors led to a fluctuation in the fourth quarter. Following revenues of EUR 10.1 million in the second and third quarters and EUR 10.6 million in first quarter, plenum recorded revenues of EUR 9.5 million in the fourth quarter.

The Group's revenues were generated almost exclusively from customers in German-speaking countries. The Insurance industry remains a key sector: plenum has one major customer in this area which accounts for 39 % of its revenues. The cost-savings programs pursued by German banks caused a sharp fall in orders for plenum from this sector in 2003. The fashion and textiles industry mainly relates to the bussines unit Communication. The following table shows a breakdown of revenues by sector.

Revenue allocation by sector

	2003	2002
Insurance	51 %	38 %
Fashion and textiles	10 %	11 %
Logistics and utilities	9 %	8 %
Banks	7 %	16 %
Other	23 %	27 %

Revenue development (in € million)



Booked business

Booked business for the whole Group amounted to EUR 17.4 million at the beginning of the year. As expected, it fell to EUR 10.2 million in the first half of 2003, and was maintained at this level until the end of the financial year. On December 31, 2003, the company posted orders amounting to EUR 10.6 million on its books.

Booked business by segment

€ thousands	Dec. 31, 2003	Dec. 31, 2002
Management Consulting	1,862	2,307
Systems	6,486	13,799
of which Phoenics	*4,219*	*9,332*
Communication	2,278	1,296
	10,626	**17,402**

The decline in booked business of EUR 6.8 million is mainly due to the scheduled progress of the Phoenics project, which alone accounts for a reduction in booked business of EUR 5.1 million. This project comprises plenum's role as lead contractor for the development of the BG-Phoenics software since mid-2002. This end-to-end solution for the German Occupational Health and Safety Agencies' core processes entails the development of completely new software on the basis of state-of-the-art Java technology.

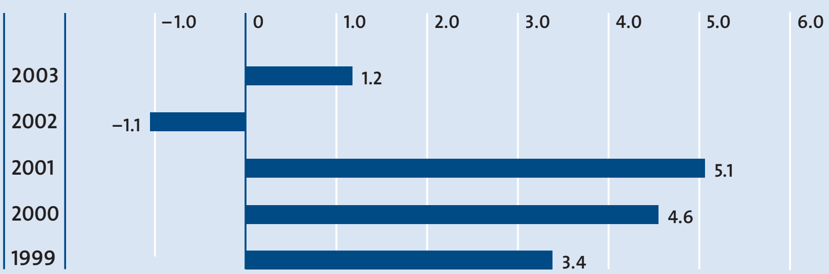
Based on the net revenues of the segments in the fourth quarter of 2003, plenum has an order backlog of 4.7 months in the segment Consulting, 3.4 months in the segment Systems , and 2.6 months in the segment Communication. These backlogs reflect the different market focus in the three segments. The lead times for projects in the segment Communication are usually shorter than in the other two segments.

Gross profit

The company's gross profit amounted to EUR 6.6 million in financial year 2003, compared with EUR 10.3 million in the previous year. The continued decrease of the gross margin, from 22 % to 16 %, is due to sustained price pressure in the IT and communications market as well as an increase in the share of revenues from less profitable large project business. The contribution margins of such projects are considerably smaller than those of smaller fixed-price projects.

The fact that large project business accounts for a greater share of revenue has also resulted in an increase in the proportion of purchased services, as generally more subcontractors are used in large projects than in smaller ones. At EUR 15.3 million, the cost of purchased goods and services declined compared with the absolute cost from the previous year (EUR 16.1 million). However, despite the overall decrease in revenues, the ratio of the cost of purchased goods and services to revenues rose from 34 % in 2002 to 38 % in 2003. This enabled plenum to further extend its expertise as a lead contractor, without having to offer all services necessary for a large project in form of in-house resources.

EBITDA development (in € million)



Operating income (EBIT)

The return to generating positive operating income was largely facilitated by the early adjustment of the cost structure in line with revenue forecasts. However, as plenum's average capacity utilization stands at an unsatisfactory 59 % (previous year: 54 %), the only way to achieve this was to continue reducing the workforce. The number of employees fell by 20 %, from 338 at the end of the previous financial year to 269 at the end of 2003. There was a much greater reduction in personnel costs than in the number of employees despite the additional expenses incurred by staff downsizing. Personnel costs fell by 26 % from EUR 25.8 million in 2002 to EUR 19.1 million in 2003. This is primarily due to the fact that staff reduction costs were much lower than in the previous year and that overall personnel costs have been variabilized to a greater extent and can therefore be better adjusted to capacity utilization and earnings.

Overall, the company generated consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of around EUR 1.2 million (previous year: loss of EUR 1.1 million). EBIT totaled EUR 0.1 million compared with EUR -7.1 million in the previous year. The success of cost-savings measures implemented in the past financial year can be clearly seen from the significant decline in general and administrative expenses, which fell by 50 % compared to prior year. The cost-revenues ratio declined from 13 % to 8 %. Selling costs were reduced in proportion to the drop in revenues. The selling expenses ratio remained at prior year's high level of 12 %. Research and development (R&D) costs fell sharply from EUR 2.3 million in 2002 to EUR 0.2 million in 2003. The decrease is mainly due to management's decision to invest more in customer-related projects and less in projects not relating to customers. This decision led to a portion of cost recorded as R&D expenses in prior year being recorded as cost of revenues. Management expects these investments to create stronger ties between plenum and its existing customers and therefore to provide a better position for when customer investment recovers again.

In 2003, other operating expenses amounted to only EUR 0.2 million and relate primarily to valuation allowances for account receivables. Other operating expenses of EUR 4.1 million in the previous year were mainly due to impairment losses, valuation allowances and provisions. The positive net balance of other operating income and expenses is largely the result of income from the reversal of accruals that were no longer required and valuation allowances for receivables. A large number of specific measures ensured that bad debt risks and other risks for which provisions were set up in financial year 2002 did either not ocurr or did not occur to the extent expected.

Consolidated earnings

plenum generated slightly positive consolidated earnings of EUR 0.2 million for the first time after two years of losses. At EUR 0.2 million, the financial result was lower than in the previous year (EUR 1.3 million) because there was no income generated from sale of securities. Interest income also declined year-on-year due to lower overall interest rates.

Despite the existence of tax loss carryforwards, the Group's income tax expense amounted to EUR 162 thousand. In addition to the deferred tax expense, which impacted earnings by EUR 20 thousand, income taxes of EUR 142 thousand were incurred because the tax measurement base from the previous years changed retrospectively.

The loss from discontinued operations of EUR 15 thousand after taxes relates to the closure of the Channeling business unit in Berlin in 2002. The amount results mainly from the differences between the expenses actually incurred and the accruals set up in financial year 2002. One transaction relating to the closure had not yet been concluded at the end of financial year 2003. Accruals were set up in a sufficient amount for any costs that may arise.

Earnings per share

In 2003, earnings per share improved substantially compared to prior year, amounting to EUR 0.02 compared with a loss per share of EUR 1.11 in 2002.

Net assets and financial position

As expected, cash and cash equivalents decreased at the end of financial year 2003 to EUR 8.1 million (previous year: EUR 13.3 million). However, after a peak in liquidity at the previous year end, cash and cash equivalents remain higher than at the end of financial year 2001 (EUR 7.5 million). This is primarily due to payment conditions related to large project business, as is the increase in trade accounts receivable of around EUR 1.1 million to just under EUR 7.0 million. The decline in net liquidity (cash and cash equivalents less current bank liabilities and advance payments received) to EUR 7.4 million (previous year: EUR 10.7 million) was much lower than the decrease in cash and cash equivalents due to the simultaneous reduction in advance payments received to EUR 0.6 million (previous year: EUR 2.5 million).

In contrast to the previous year there were no impairment losses on noncurrent assets recorded in 2003. Major capital expenditures were not made – apart from replacement purchases amounting to around EUR 0.5 million. The ratio of fixed assets to total assets increased slightly from 16.3 % to 16.9 %. Current plans for 2004 do also only provide for replacement purchases.

Changes in trade accounts payable and advance payments received were mainly due to plenum's large project business, which has a different financing structure than its other project business.

The reduction in accruals is largely due to the fact that certain specific provisions are no longer required. In addition, the utilization of tax accruals and the accrual for reimbursed costs contributed to the change from prior year. 96 % of all current liabilities are covered by cash and cash equivalents (previous year: 97 %).

The company's equity ratio increased from 40 % to 50 % year-on-year and is therefore representing a high level. plenum's long-term financing position (the ratio of non-current assets to long-term capital) improved from 0.4 in 2002 to 0.3 in 2003. The company's short-term financing position (the ratio of current assets to short-term capital) also improved from 1.5 in the previous year to 2.0 in financial year 2003. plenum thus continues to have a solid financing structure.

Cash flow

Cash flows from operating activities developed as expected and totaled EUR –4.7 million in 2003. However, net cash outflows during the second half of 2003 in the amount of just EUR 0.9 million as of closing date was considerably lower than net cash outflow during the first half-year. The chart below, which represents the development of cash and cash equivalents during 2003, shows that the level remained roughly constant in the second half of the year. Cash outflows were mainly due to transactions for which accruals had been set up in the previous year. The increase in receivables together with a decrease in advance payments received – which is presented under changes in other liabilities – also contributed to the net cash outflows. The main reason for this is the change in the financing structure for large project business.

Sufficient cash and cash equivalents is available to finance ordinary business activities.

Development of cash and cash equivalents in 2003 (in € million)

3. Segment development

In 2003, customer demand in almost all sectors was mainly focused on leveraging potential cost reductions and implementing optimization measures. plenum had started refocusing its service portfolio to reflect these requirements in the previous year and this, together with tighter integration of Management Consulting's expertise with the implementation skills of the Systems and Communication business units, paid off in 2003. Our many years of experience in such tasks and the intensive, personal management of business relationships in regular expert forums have helped us to strengthen our market position, and will form the basis for the company's future success in an economic upturn.

Internal operating profit (IOP) remains a key factor in the internal management of plenum's segments. IOP consists of the adjusted net income for the period before group costs, depreciation and amortization, financial results, consolidation effects and taxes. The gross revenues of the segments comprise revenues generated with customers outside the plenum Group (net revenues) and those generated with other segments of the plenum Group (internal revenues).

plenum Management Consulting

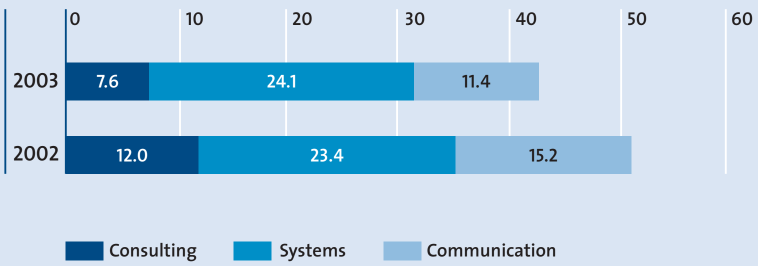
After increasing revenues despite a difficult market in 2002, plenum Management Consulting could no longer escape from the overall trend in the consulting sector in financial year 2003. The business unit's gross revenues decreased considerably by 37 % compared to prior year from EUR 12 million to EUR 7.6 million. This figure corresponds to 18 % of the Group's gross revenues (previous year: 24 %). The drop largely reflects the conclusion of a series of large projects that could not be immediately followed by projects of a comparable volume.

Measures were taken in the first half of the year to ensure the unit's profitability in financial year 2003, in view of its reduced revenue forecasts. In particular, variable personnel costs were cut to adjust the unit's cost structure. Capacity was reduced to a lesser extent than revenues so as not to compromise the unit's quality of service. 30 % of the workforce was downsized.

As a result of cost adjustments, plenum Management Consulting generated a positive internal operating profit of EUR 0.6 million (previous year: EUR 2.9 million), thus achieving a margin of 8 % (previous year: 24 %).

The market's reluctance towards investments and a tougher competitive environment were the key factors influencing the unit's business development. Sales activities therefore focused on maintaining close communication with existing customers and expanding existing projects. 2003 saw a clear trend towards smaller project volumes and phase-by-phase orders, which led to increased selling expenses and therefore impacted the unit's results. Nevertheless, plenum Management Consulting succeeded in substantially broadening its customer base in this market environment – the number of customers served increased by around 20 % in 2003. The past year provided further proof that Management Consulting's long-standing, successful cooperation with a large number of customers and its excellent market reputation for

Segments: Development of revenues structure (Gross revenues in € million)



high-quality implementation gave the business unit a major competitive edge. What is more, our customers are increasingly selecting providers on the basis of their implementation expertise. plenum Management Consulting also extended its project-based cooperation with plenum Systems, which enabled further exploitation of the plenum Group's competitive edge.

As in the previous year, Management Consulting's priorities for 2003 are to optimize costs and increase efficiency for its customers. For example, a large number of banks commissioned the unit to develop cost-effective, business-oriented IT strategies for the coming years, to optimize control processes for IT services and to handle the resulting implementation projects. The need for German banks to optimize costs was also seen in a more reluctant order policy during 2003.

Process industrialization continued to be a major topic. For example, plenum Management Consulting played a key role in developing a securities transaction bank and successfully assisted the migration of one of the involved banks.

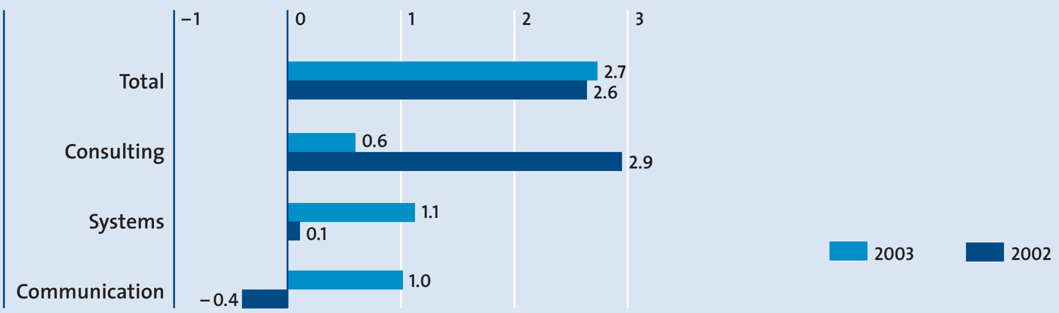
Our activities on the market for utilities and logistics companies developed encouragingly, and the share of revenues from these areas increased. In addition to the development of IT strategies, the sector's main focus in the past year was on implementation projects to optimize IT departments and processes. The sector is preparing for changes in the market, leveraging cost-cutting potential, and increasing efficiency and service quality in IT by forming shared services companies and regional cooperative ventures.

Another important development in 2003 was the expansion of Management Consulting's cooperation with existing customers in the insurance industry. In 2000, the unit supported the formation of the IT company of a large insurance group. It was then commissioned to further optimize the customer's organizational structure, which again led to a variety of implementation projects in 2003. Moreover, Management Consulting is working with plenum Systems to assist the group to standardize the application architecture for the foreign subsidiaries.

The added value offered by Management Consulting's knowledge of insurance in combination with plenum Communication's expertise in communications was used by a large public-sector insurance company. This new customer commissioned plenum to develop a communication strategy for voluntary supplementary pension products (Riester pension products). Acting as lead contractor, plenum then also implemented the agreed measures and managed other service providers involved.

The customer access established by Management Consulting is extremely important for generating revenue. This is demonstrated by its relationship with an international telecommunications company, which awarded plenum several projects involving a variety of tasks. Since 2001, the unit has assisted this customer with outsourcing projects for IT systems operation. The work ranges from a feasibility study to several implementation projects and includes the customer's foreign subsidiaries. The same customer also contracted plenum Communication to implement sophisticated online applications at the beginning of the year.

Segment income development – IOP (in € million)



plenum Systems

In financial year 2003, plenum Systems slightly increased its gross revenues compared to the prior year to EUR 24.1 million (2002: EUR 23.4 million). This further reinforced its position as the Group's main revenue driver, contributing 56 % of total gross revenues (previous year: 46 %).The business unit's revenues remained at a high and stable level throughout 2003, taking into account seasonal fluctuations. Its internal operating profit improved substantially year-on-year to EUR 1.1 million (2002: EUR 0.1 million). The unit's margin has now increased to 5 % (previous year: 0 %), primarily as a result of the improved cost structure.

The stable development of plenum Systems' revenues in financial year 2003 is mainly due to the following factors: firstly, plenum's role as lead contractor in the development of the BG-Phoenics software since mid-2002. This end-to-end solution for the German Occupational Health and Safety Agencies' core processes entails the development of a completely new software on the basis of state-of-the-art Java technology. All components will go live in 2005. The corresponding preparations for migration are currently being initiated. Secondly, a large number of customers awarded follow-up projects to the unit in 2003. As a result of an intensified cooperation with plenum Management Consulting, plenum Systems also won a number of implementation projects following the successful completion of consulting work.

The business unit focused on implementation projects to increase the efficiency of clients' internal systems integrators and the further development of core applications for customers in the financial services sector.

In spring 2003, the internal IT service provider of a major airline commissioned plenum Systems to migrate its applications architecture to a Windows XP environment, which now comprises around 20,000 workstations. In addition, plenum Systems was contracted to implement an infrastructure management system that will facilitate the continued standardization of the systems environment and further enhance the quality of services supplied by the IT service provider.

The business unit also redesigned the technical platform for the Internet portal of an international logistics group by implementing a new content management system after having completed the client's corporate intranet at the beginning of the year. plenum Systems then helped the customer with porting applications to the portal.

In 2000, plenum Management Consulting provided assistance with the merger of the IT departments of two large financial service providers. Following their completion, plenum Systems' technological expertise was then called upon to develop an innovative process model for software development. The implementation projects that were started in 2003 will also execute the technological side of the merger by reengineering core applications.

In the past financial year, plenum Systems cooperated closely and successfully with plenum Management Consulting to support various companies. Its work ranged from the development and implementation of future-proof IT strategies through complex selection procedures for technology projects, to assistance with application development projects.

plenum Communication

Following its successful restructuring in 2002, plenum Communication returned to profitability in the first quarter of 2003 despite the continuing weakness of the communications and advertising market. At EUR 11.4 million, its gross revenues for the financial year 2003 were lower than those of the previous year (EUR 15.2 million), however, they stabilized in second half of 2003. The segment generated around 26 % of the Group's gross revenues (previous year: 30 %). The business areas of online and offline communication continued to contribute to approximately the same extent to the segment's total revenues.

The unit's positive results of operations in all quarters of 2003 depicted the benefits of the cost-savings measures which plenum Communication made in the previous year.

Its earnings totaled around EUR 1.0 million (previous year: loss of EUR 0.4 million), and its margin therefore amounted to 9 % compared with –3 % in 2002.

plenum Communication's main goal was to retain existing customers by ensuring a consistently high quality of service. For example, plenum has assisted Novar GmbH, a manufacturer of building technology, for many years in its development from a medium-sized company into a worldwide operating group. The unit will continually adapt its range of services in line with developments to reflect changes in customer requirements.

In the past year, plenum Communication teamed up with Wella to implement a major project on a global scale. The worldwide rollout of Wella's website using a workflow tool specially developed by plenum underlined our agency's potential.

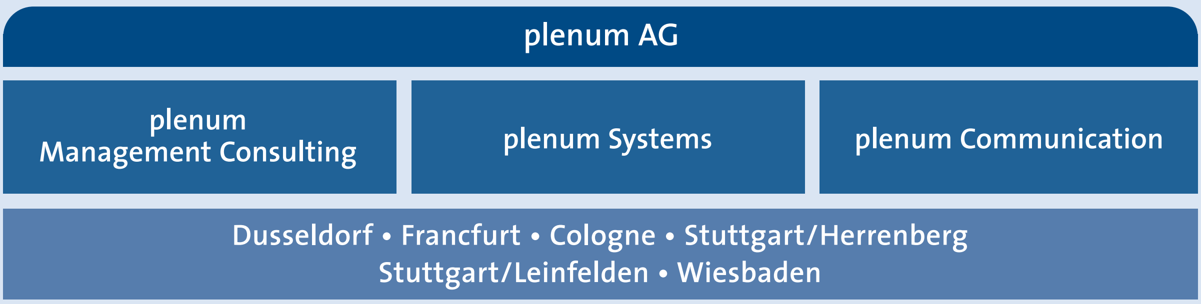
In financial year 2003, plenum Communication gained prominent new customers in the Online und Offline business areas. Since October 2003, the business unit has been the online lead agency for the Internet relaunch of the premium lager brand Bitburger. In addition, plenum Communication is T-Mobile's partner for the development and implementation of an extensive flash-animated demo of "t-zones", the customer's mobile online services.

In the area of traditional communication (Offline), the unit beat eight competitors to win an order from DaimlerChrysler to organize the 100th anniversary celebrations of the plant in Untertürkheim, which will take place in summer 2004. plenum Communication is running an integrated online/offline campaign with a regional, national, and international reach. Our agency's brand management expertise not only enabled it to successfully continue its many years of cooperation with the fashion company bruno banani: plenum Communication also used a range of PR activities to help the global lifestyle brand Timberland, which manufactures outdoor shoes, clothing, and accessories, to strengthen its market and brand communication.

plenum AG

As parent company of the plenum Group, plenum AG serves as the Group's holding company. plenum AG's business is largely generated by its affiliates: plenum Management Consulting GmbH, plenum stoll & fischbach Communication GmbH and plenum Systems GmbH. plenum AG has entered into Control and Profit Transfer Agreements with all three companies. The affiliates obtain central services from plenum AG, such as accounting, personnel management, travel and fleet management, public relations and marketing. In addition, the companies are included in plenum AG's cash pool. All the Group's cash is managed by plenum AG's centralized cash management. As a result, the business development, position, and risks of the parent company largely match those of the Group.

After offsetting existing loss carryforwards against net income for the period, an accumulated deficit of EUR 876 thousand remained in plenum AG's single-entity financial statements. Shareholders' equity was therefore almost unchanged from



Organizational structure of the plenum group as of March, 2004

prior year at EUR 9,689 thousand. A total profit of EUR 742 thousand was contributed by plenum AG's affiliates.

The integration of the three affiliates within plenum AG's organizational structure is reflected by the fact that plenum AG's Managing Board members also act as management of its affiliates.

The legal structure of the Group was further adjusted by merging the two companies plenum financial solutions AG and a.f.n. active.financial.network GmbH. The legal structure now corresponds to the organizational structure of the three segments.

4. Employees

The plenum Group employed 269 people as of December 31, 2003. As announced at the end of the first half-year, plenum's workforce decreased by 9 % in the last quarter (Q3: 296 people). Overall, this represents a drop of 20 % versus the previous year's figure of 338 employees. The decline is mainly due to the adjustment of workforce capacity in operations and administration that was made during the first half of the year. An average of 309 people were employed in financial year 2003 (previous year: 399 people).

Personnel costs amounted to EUR 19.1 million in financial year 2003 – a decrease of 26 % compared to 2002 (EUR 25.8 million). The personnel costs ratio thus fell to 47 % of revenues (previous year: 54 %). One of the management's goals, to reduce the effect of capacity fluctuations on the company's results was thus achieved. On average, personnel costs per employee decreased from EUR 65 thousand in the previous year to EUR 62 thousand in 2003. This was mainly a result of senior management and a number of employees waiving their variable remuneration for 2003, and the absence of one-time effects as recorded in prior year (primarily severance payments).

The dedication and expertise of its employees and senior executives are critical success factors for plenum's future development. plenum continued to strengthen its position as an attractive employer by establishing internal training programs, expanding the systematic professional development of senior executives and offering performance-related incentive and bonus systems. This position is underlined by a decline in staff turnover from employee resignations compared to the prior year.

5. Corporate Governance

plenum AG welcomes the further development of the German Corporate Governance Code that was compiled and first published by a Government Commission in 2002. The Code establishes standardized assessment criteria for responsible company management in Germany, and was supplemented by further recommendations in 2003.

On December 19, 2003, the Managing Board and Supervisory Board issued a declaration of compliance with the recommendations of the Government Commission's German Corporate Governance Code in accordance with section 161 of the Aktiengesetz (AktG – German Public Companies Act), and made this permanently available to the company's shareholders on the Internet. They declared that they comply with the Code to a large extent and will continue to do so in the future.

6. Risk report

A detailed planning and monitoring process coupled with a systematic risk management enable plenum to identify business opportunities and limit risks. The entire Managing Board bears direct responsibility for the early identification and monitoring of risks. Operational risks are managed primarily by the finance department.

In addition to regular monthly bottom-up reports on significant changes prepared by the segments and business units, plenum's risk management is supported at Group level by comprehensive reporting and financial control structures and a centralized cash management policy. The limitation of financial risks and the optimization of company-wide financing have been centralized.

plenum's independent auditors have examined this system and their findings will be taken into account in its ongoing further development.

plenum's activities expose it to typical business risks, such as declines in demand and credit risks. Revenue development in the past financial year reflected the clear impact of the overall economy on customer demand. However, plenum's high proportion of long-term customer relationships enabled it to limit declines in revenue compared to direct competitors. The economic situation in financial year 2002 triggered a rise in credit risk. Appropriate financial provisions were made to the extent that they are likely to occur. However, the company generally has a relatively low level of risk in these areas due to its broad customer base. Development in financial year 2003 was substantially more positive than in 2002. Valuation allowances amounting to EUR 209 thousand were set up for anticipated bad debts (previous year: EUR 567 thousand). A large proportion of the valuation allowances made in the previous year were reversed because they were no longer necessary.

As a result of the expansion of plenum's large project business, the top 10 customers accounted for an increased share of revenues of 70 % (previous year: 52 %). The dependence on one major customer which now accounts for 39 % of revenues (previous year: 22 %) increased considerably. This represents a particular risk for the Group. The management does not believe that the existence of plenum would be jeopardized if it lost this customer and was unable to replace it. However, the resulting impairment of the ratio of the cost of revenues to general and administrative costs would substantially reduce the Group's earnings capacity. In addition, the idle capacity costs inevitably caused by the loss of this customer would, at last temporarily, heavily impact consolidated earnings. To diminish this risk, the company's management reduced the Group's vertical integration and administrative costs ratio in financial year 2003. The reduction in vertical integration is shown by the decline in the personnel costs ratio (47 % in 2003 compared with 54 % in the previous year), and from the increase in the proportion of purchased services (38 % in 2003 as against 34 % in 2002). The company's dependence on implementation partners is limited to a large extent by systematic control and many years of project management experience. The administrative costs ratio fell to 8 % in 2003 compared with 13 % in the previous year.

Individual segments also depend to a certain extent on single key accounts as a result of their large project business. In financial year 2003, Management Consulting's largest customer accounted for 32 % of the unit's net revenues (excluding revenues generated with other Group companies). The equivalent figure for plenum Systems was 67 %. In 2003, plenum Management Consulting generated 62 % of net revenues from its five largest customers, plenum Systems 86 %, and plenum Communication 42 %.

Further risks relate to the perceptible increase in the volume of services to be provided under Specified Services Contracts (“*Werkvertrag*” – contracts that require plenum to design, develop, manufacture or modify products or a system to a buyer's specifications). plenum counteracts these risks by drafting contracts with the help of external lawyers; in addition, at the beginning of 2004, the company set up a training program for sales staff and project managers on how to draft and handle Specified Services Contracts. As of yet, plenum does not have extensive experience regarding the level of any expenses for warranty obligations that may arise from large Specified Services Contracts. Although the company assesses the risks relating to contractual conditions as being low, actual expenses could differ from current estimates.

The worsening of the overall economic conditions exposed plenum to considerable competitive price pressure in some cases. As a result, in particular the areas of capital expenditures, new hires, and ongoing operating costs were budgeted in great 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 development. 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. A professional centralized cash and receivables management facilitates this goal.

Changes in legal 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 financial year depends on the realization and implementation of such measures.

The company is not exposed to any significant risks from pending legal disputes in excess of accruals made.

At present, plenum assesses the risk of losing key staff as relatively low, on the one hand because of the substantial human resources still available on the labor market, and on the other hand because of a substantial decline in fluctuation due to resignations.

In summary, economic risks and, in particular, the company's dependence on the development of certain industries and one large customer are currently of significance for plenum. At present, there are no identifiable risks that could pose a threat to the parent company's or the Group's future existence.

7. Important events after the end of the financial year

Two Specified Services Contracts with a total volume of EUR 8.2 million were entered into on February 18, 2004. These contracts include services that were already provided during the financial year 2003.

Bernhard Achter left plenum AG's Managing Board on January 2, 2004. Upon his leave, his duties were redistributed within the Managing Board. The Chairman of the Managing Board, Hartmut Skubch, will in future assume responsibility for sales. Klaus Gröne, the member responsible for plenum Management Consulting and human resources, will also be responsible for plenum Systems. Both Managing Board members will take over these new duties in addition to their current ones. In January 2004, Mr. Gröne was also appointed managing director of plenum Systems GmbH. In future, plenum's Managing Board will consist of three members.

8. Outlook

The first signs of an economic upturn in 2004 became apparent at the beginning of the year. Overall, current economic forecasts predict limited but constant growth in Germany and expect its gross domestic product to increase by 1.8 %. Stronger growth is also expected for the service sector as the economy improves as a whole. Given these circumstances, the industry associations for IT services and consulting expect this market to increase revenues slightly by up to 2 % in 2004; the advertising industry also predicts the same level of growth in its markets.

Since the overall economy is recovering and our customer markets are becoming noticeably more willing to invest, plenum is cautiously optimistic about the development of revenues in financial year 2004. The company currently expects a noticeable upturn in revenues from the Management Consulting and Communication segments in particular.

Revenues in the Systems segment in 2004 will continue to be dominated by the major Phoenics project and will remain stable at the level achieved in 2003. A medium-term increase in revenues will depend heavily on the continuation of this major project – for example through the migration activities already started by the customers involved – or the acquisition of comparable projects. The experience that plenum has gathered from managing large projects as lead contractor and our many years of successful consulting activities in the development of IT sourcing strategies – combined with the current options for offshore development – are providing the company with new opportunities for projects. Promising customer inquiries in this area were already received at the beginning of the year.

plenum proved in financial year 2003 that the Group can operate successfully even in a depressed economic environment by focusing on the value-added parts of the supply chain and therefore creating a more flexible cost base. Accordingly, we were able to generate a positive result, despite of the fact that the average capacity utilization in the Group was only 59 %. This is the basis for our expectations for the current financial year: an increase in revenues will only incur very limited additional costs and will thus strengthen disproportionately the company’s earnings.

Consolidated Financial Statements

Consolidated Income Statement

€ thousands	Note	Jan. 1 – Dec. 31, 2003	Jan. 1 – Dec. 31, 2002
Revenues	23	**40,266**	47,474
Cost of revenues		**– 33,676**	– 37,209
Gross profit		**6,590**	**10,265**
Selling and marketing expenses		**– 4,931**	– 5,624
General and administrative expenses		**– 3,040**	– 6,110
Research and development costs	6	**– 208**	– 2,316
Other operating income and expenses	7	**1,717**	– 3,335
Operating result		**128**	**– 7,120**
Financial result	8	**213**	1,253
Goodwill amortization	12	**0**	– 1,946
Result from continued operations before income taxes and extraordinary items		**341**	**– 7,813**
Income taxes	9	**– 162**	– 167
Extraordinary items, net of tax	10	**45**	– 1,030
Loss from discontinued operations	10	**– 15**	– 1,647
Net income (prior year: net loss)		**209**	**– 10,657**
Earnings per share (in €, diluted and undiluted)	11		
from continued operations and before extraordinary items		**0.02**	– 0.83
from extraordinary items		**0.00**	– 0.11
from continued operations		**0.02**	– 0.94
from discontinued operations		**0.00**	– 0.17
Net income per share		**0.02**	– 1.11
Average number of shares in circulation (in thousand, undiluted)		**9,577**	9,577
Average number of shares in circulation (in thousand, diluted)		**9,577**	9,577

Consolidated Balance Sheet

Assets € thousands	Note	Dec. 31, 2003	Dec. 31, 2002
Cash and cash equivalents	15	**8,103**	13,305
Trade accounts receivable	14	**6,954**	5,942
Inventories	13	**285**	12
Prepaid expenses and other current assets	14	**1,218**	1,367
Total current assets		**16,560**	**20,626**
Property, plant und equipment	12	**1,565**	2,224
Intangible assets	12	**619**	686
Financial assets	12	**112**	107
Notes receivable / loans	12	**1,057**	1,007
Deferred tax assets	9	**7**	0
Total non-current assets		**3,360**	**4,024**
Total assets		**19,920**	**24,650**

Liabilities and shareholders' equity € thousands	Note	Dec. 31, 2003	Dec. 31, 2002
Short-term debt and current portion of long-term debt	19	**110**	102
Trade accounts payable	19	**1,666**	1,298
Advance payments received	19	**642**	2,517
Current accrued expenses	18	**5,315**	8,926
Deferred tax liabilities	9	**102**	14
Other current liabilities	19	**599**	894
Total current liabilities		**8,434**	**13,751**
Long-term debt	19	**78**	179
Non-current provisions	18	**765**	22
Deferred tax liabilities	9	**0**	61
Pension provisions	17	**669**	872
Total non-current liabilities		**1,512**	**1,134**
Share capital	16	**9,577**	9,577
Additional paid-in capital		**14,151**	14,151
Treasury stock	16	**– 83**	– 83
Accumulated deficit		**–13,671**	–13,880
Total shareholders' equity		**9,974**	**9,765**
Total liabilities and shareholders' equity		**19,920**	**24,650**

Consolidated Cash Flow Statement

€ thousands	Jan. 1 – Dec. 31, 2003	Jan. 1 – Dec. 31, 2002
Group net results	**209**	–10.657
Reconciliation of cash flows from operating activities:		
Depreciation and amortization	**1,108**	7,963
Losses from the disposal of intangible assets and property, plant and equipment	**57**	101
Losses / Proceeds from the disposal of investments	**1**	–1,002
Other non-cash expenditures and income	**–56**	–15
Changes in assets & liabilities:		
Change in inventories	**–273**	250
Change in receivables	**–1,012**	5,243
Change in prepaid expenses and other current assets	**149**	1,177
Change in trade accounts payables	**368**	–733
Change in other liabilities	**–2,170**	1,182
Change in accrued expenses	**–3,071**	3,042
Change in other assets and liabilities	**20**	–193
Cash outflows / inflows from operating activities	**–4,670**	**6,358**
Proceeds from the disposal of intangible assets and property, plant and equipment	**17**	58
Proceeds from the disposal of investments	**0**	1,097
Payments for purchase of intangible assets and property, plant and equipment	**–456**	–532
Payments for loans granted	**0**	–1,000
Cash flows used for investing activities	**–439**	**–377**
Repayment of loans	**–93**	–189
Cash flows provided by financing activities	**–93**	**–189**
Movement in cash and cash equivalents	**–5,202**	**5,792**
Cash and cash equivalents at the beginning of period	**13,305**	7,513
Cash and cash equivalents at the end of the period	**8,103**	13,305

net inflows from interest: TEUR 169 (2002: TEUR 254)

net outflows from income tax payments: TEUR 575 (2002: cash inflows of TEUR 782)

Statement of Changes in Shareholders' Equity

€ thousands	Number of Shares in thous.	Net income/ Net loss	Share capital	Additional paid-in capital	Equity	Other Comprehensive Income	Retained earnings	Total Shareholders' equity
January 1, 2002	**9,577**		**9,577**	**14,151**	**-83**	**0**	**−3,223**	**20,422**
Net loss		−10,657					−10,657	−10,657
December 31, 2002	**9,577**		**9,577**	**14,151**	**-83**	**0**	**−13,880**	**9,765**
Net income		209					209	209
December 31, 2003	**9,577**		**9,577**	**14,151**	**-83**	**0**	**−13,671**	**9,974**

Notes to the Consolidated Financial Statements

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 prepare the consolidated financial statements in accordance with internationally accepted accounting principles instead 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 remain unchanged from prior year. Unless otherwise stated, all amounts in the consolidated financial statements are presented in thousand Euro (TEUR). Individual prior-year figures have been reclassified to comply with the current presentation.

2. Group of consolidated companies

All subsidiaries in which plenum holds, directly or indirectly, the majority of voting rights (affiliated companies) are fully consolidated. The group of consolidated companies from prior year did not change in scope. The following mergers took place within the group of consolidated companies as of January 1, 2003:

Company	Merged with
plenum financial solutions AG, Wiesbaden	plenum Management Consulting GmbH, Wiesbaden
a.f.n. active.financial.network GmbH, Frankfurt am Main	plenum Systems GmbH, Wiesbaden

As a result of the above mergers, the number of affiliated companies changed as follows:

Number of affiliated companies as of Dec. 31, 2002	5
Additions	0
Mergers	–2
Number of affiliated companies as of Dec. 31, 2003	3

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

3. General consolidation, accounting and valuation principles

Consolidation principles

The annual financial statements of the affiliated companies are included in the consolidated financial statements 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. The pooling of interests method was applied upon satisfaction of required criteria only for companies acquired before adoption of SFAS 141. 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 written-down, if required, on the basis of regularly performed impairment tests. 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 is offset to additional paid-in capital. Incidental acquisition costs are expensed. Goodwill does not arise under this method.

Shares in other investments are measured at fair value and classified as securities available for sale. Revenues, receivables and payables as well as other expenses and income from intragroup transactions are eliminated. Any intercompany results and differences arising from the consolidation of intercompany balances are offset with an impact on income. Deferred taxes

Notes to the Consolidated Financial Statements

are recognized on consolidation transactions for temporary differences that will reverse at a later date.

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. Existing uncertainties are taken into account as of the balance sheet date. However, actual amounts could differ from those estimates. The use of estimates and assumptions for the following items were of particular importance as of the balance sheet date:
Deferred tax assets are also recorded for tax loss carryforwards. In case there is doubt regarding the usability of the loss carry-forward, a corresponding write-down is made to the deferred tax asset.

Pension provisions are based on certain assumptions regarding the future development of wages and salaries, pension costs, interest rates and plan assets of the pension fund. In case actual amounts differ from those assumptions, over- or underfundings are the result. Such amounts are reported in the year they are incurred with an impact on income. Other provisions also take into account expected litigation costs. The amount of such costs is estimated on the basis of appraisals provided by the attorney engaged on the respective case. The actual costs could differ from those estimates.

Other provisions also cover anticipated losses from uncompleted Specified Services Contracts (“*Werkvertrag*” – contracts that require plenum to design, develop, manufacture or modify products or a system to a buyer’s specifications) based on fixed prices. The amount of anticipated losses is based on estimates of costs still necessary to realize the contractually agreed services. The actual costs required could differ from those estimates.

Other provisions also cover risks arising from warranty obligations. Such amounts are recorded on the basis of estimated costs to be incurred in satisfying the obligations. Actual costs incurred could differ from those estimates.

Revenues that are recognized according to the percentage-of-completion method are also based on estimates of costs required until completion of the contract.

Currency translation
The annual consolidated financial statements as of December 31, 2003 exclusively comprise domestic companies using the Euro as the functional currency. Assets and liabilities denominated in foreign currencies are reported in the respective individual financial statements translated at the closing rate. Translation differences are included in the income statement.

Revenue recognition
Revenues are recognized upon rendering of service, generally, on the basis of rendered and valued time units and reimbursable expenses. With respect to services on a fixed price basis, revenue is recognized according to the percentage of completion method, if the amounts can be reliably estimated. Recognized revenues are determined based on the ratio of realized expenses to expected total expenses. When billed amounts exceed realized revenues, the excess amount is deferred and reported as advance payments in the amount of payment received. When the realized revenues exceed the billed amounts, the excess is presented as a receivable. Provisions for customer deductions and rebates are taken into account in the same period as the posting of the corresponding revenues.

Stock-based compensation
The stock option plan of plenum AG as of December 31, 2003 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 expense is not incurred.

The table below illustrates the effect on the net results and earnings per share had the company applied SFAS 123, Accounting for Stock-Based Compensation. In 2003, expenses would not have been incurred according to SFAS 123, since there were no options issued.

	Dec. 31, 2003	Dec. 31, 2002
Net income as reported	209	–10,657
Expenses based on fair value, net	0	–5
Pro forma net income	**209**	**–10,662**
Earnings per share:		
Undiluted as reported	0.02	–1.11
Undiluted per pro forma	0.02	–1.11
Diluted as reported	0.02	–1.11
Diluted per pro forma	0.02	–1.11

Research and development costs
Research and development costs are expensed as incurred, provided that 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 neither incurred during 2003 nor in the prior year.

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. Starting January 1, 2002, intangible assets with currently indefinite lives and goodwill have no longer been amortized, but were reviewed at the end of 2002 for other than temporary impairment and as a result fully written-off. Property, plant and equipment with definite useful lives are valued at acquisition costs and depreciated by the straight-line method over their expected useful lives.

Useful lives within the Group are as follows:

	2003
Software und licenses	3–10 years
Patent rights	10 years
Leasehold improvements	3–10 years
Hardware	3–8 years
Vehicles	5 years
Plant and office equipment	3–23 years

The average weighted depreciation periods (in years) are as follows:

	2003	2002
Software and licenses	5.6	5.4
Patent rights	10.0	10.0
Leasehold improvements	8.6	8.6
Hardware	4.4	4.3
Vehicles	5.0	5.0
Plant and office equipment	9.5	9.3

Financial assets and loans
Marketable securities and investments are measured in accordance with SFAS 115. They are classified as either trading, available for sale or held 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. Unrealized gains and losses from such securities are reported directly in other comprehensive income.

Non-marketable investments are accounted for at acquisition cost, provided that exercise of significant influence on the business policies of the investment is not possible.

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. Reinsurance contracts are stated at the cash surrender value.

Notes to the Consolidated Financial Statements

Goodwill
Goodwill with indefinite useful lives is only written down in case of an other than temporary impairment according to an impairment-test that is at least performed on an annual basis. Capitalized goodwill reported by plenum was fully amortized in 2002 subsequent to an impairment test.

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

Current assets
Inventories are measured at the lower of acquisition or production costs or market values. Included in production costs are direct costs for material and wages and overhead costs for material and production. Other costs are not included.

Receivables and other assets are measured at nominal values. Receivables include unbilled sales from projects on a fixed price basis. Valuation allowances are provided for doubtful receivables.

Securities included in current assets are stated at fair value as trading securities. Realized and unrealized gains and losses arising from the valuation at fair values are reported directly in the income statement. Impairment charges are recorded for other than temporary impairments.

Liquid assets include cash on hand, bank balances and cash equivalents. Depending on their maturities, liquid assets are considered either as cash and cash equivalents or as other short-term investments. Cash includes cash on hand and bank balances with an original maturity of three months or less.

Prepaid expenses
Prepaid expenses are determined according to proper deferral 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 for the deferred tax assets.

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

Tax provisions 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. Such changes did not arise in the financial years 2002 and 2003.

Statement of cash flows
The statement of cash flows is classified into operating, investing and financing activities for the cash and cash equivalents of the Group. Liquid funds include only such liquid assets with an original maturity of less than three months. Changes to the group of consolidated companies are eliminated in the respective classification positions.

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 2003, the Financial Accounting Standards Board (FASB) issued the Statement of Financial Accounting Standards (SFAS) 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which amends and clarifies certain aspects of the accounting and reporting of financial derivatives. The statement applies to contracts entered into or modified after June 30, 2003. Since plenum does not hold any financial instruments, it does not expect any effects from SFAS 149.

In May 2003, FASB issued SFAS 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". Accordingly, certain financial instruments with characteristics of both liabilities and equity that were previously recognized as equity require the issuer to now recognize a liability. This includes financial instruments issued in the form of shares that must be redeemed at a specified date or upon an event that is certain to occur. This also requires a financial instrument that contains an obligation to repurchase the issuer's equity shares that require the issuer to settle the obligation by transferring assets to be recognized as a liability under SFAS 150. In addition, financial instruments are recognized as liabilities when a variable number of its equity shares must be issued if, at inception, the monetary value of the obligation is based solely or predominantly on a fixed monetary amount. SFAS 150 applies to all financial instruments entered into or modified after May 31, 2003. And is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Since plenum does not hold any such financial instruments, it does not expect any effects on the consolidated financial statements from SFAS 150.

In December 2003, FASB issued SFAS 132 (revised) "Employers' Disclosures about Pensions and Other Postretirement Benefits – an amendment of FAS Statements No. 87, 88, and 106". The statement requires additional disclosures to those in the original Statement 132 about assets, obligations, cash flows and net periodic benefit costs and similar pension benefits. The statement is effective for financial statements with financial years ending after December 15, 2003. The affects on the Group notes were taken into account in the Notes to the Consolidated Financial Statements.

In December 2003, the FASB issued FASB Interpretation FIN 46 (revised) "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 (revised) 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. plenum does not expect any effects from FIN 46 (revised) on the consolidated financial statements 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 292a 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 292a, para. 2, No. 4, letter b HGB, the major 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.

Notes to the Consolidated Financial Statements

Revenue recognition
Under US-GAAP, long-term Specified Services 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 for Specified Services Contracts. 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). A valuation allowance is provided for deferred tax assets if it is more likely than not that the tax benefit will not be realized.

According to the provisions of HGB, deferred taxes must not be capitalized on net operating loss carryforwards.

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 indefinite 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 calculated for 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 internally generated 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 their classification as either trading, held to maturity or available for sale. Securities available for sale are measured at fair value as of the balance sheet date with unrealized gains and losses reported directly in the stockholders' equity as other comprehensive income. Other than temporary impairment is expensed to the income statement. Under HGB, marketable securities and investments are measured at acquisition costs or the lower fair 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 against additional paid-in capital. HGB requires the provision of revenue reserves in an amount corresponding to that of capitalized treasury stock.

Accrued expenses
Accrued expenses 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 to be purely internal obligations are not permitted under US-GAAP. Such expenses are accounted for in the year incurred.

Pension provisions are calculated according to the entry-age-normal method pursuant to German principles. 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 used under accounting provisions.

B. Notes to the Consolidated Income Statement

6. Research and development costs

During the reporting year, research and development costs in the amount of TEUR 208 (2002: TEUR 2,316) were mainly incurred for further development of the service portfolio.

7. Other operating income and expenses

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

Other operating income

€ thousands	2003	2002
Income from the release of provisions	998	99
Income from the reduction of valuation allowance on receivables	468	36
Income from employee remuneration in kind	322	292
Income from discounts	38	59
Other	115	328
	1,941	814

The income from the release of provisions relates to personnel provisions in the amount of TEUR 560, outstanding invoices in the amount of TEUR 167, legal disputes in the amount of TEUR 113, warranties in the amount of TEUR 80 and other provisions in the amount of TEUR 78.

Other operating expenses

€ thousands	2003	2002
Valuation allowance for doubtful accounts	209	567
Other	15	3,582
	224	4,149

Other operating expenses in 2002 included write-downs on intangible assets in the amount of TEUR 3,056.

8. Financial results

The Financial result is comprised of the following positions:

€ thousands	2003	2002
Income from investments	1	0
Income from other securities and loans	50	1,007
Other interest and similar income	207	294
Interest and similar expenses	– 45	– 48
Financial results	213	1,253

Income from the disposal of available for sale securities was not generated during the reporting year (2002: TEUR 1,002). Other interest and similar income relates to interest from cash deposits and current bank accounts.

9. Income taxes

Income taxes of the Group are broken down as follows:

€ thousands	2003	2002
Current taxes	–142	– 358
Deferred taxes	– 20	191
Total income taxes	–162	–167

Notes to the Consolidated Financial Statements

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

€ thousands	2003	2002
Pensions provisions	43	0
Intangible assets	–36	0
Deferred tax assets (liabilities)	**7**	**0**
Inventories	–2,718	0
Receivables	972	14
Intangible assets	0	61
Payments received	1,673	0
Other provisions	175	0
Deferred tax liabilities	**102**	**75**

As of December 31, 2003 tax net operating loss carryforwards consist of TEUR 14,880 (12/31/2002: TEUR 15,538) for corporate income taxes and TEUR 15,393 for trade taxes (12/31/2002: TEUR 16,050). Due to the uncertainties regarding the realization of the tax net operating loss carryforwards, deferred tax assets created in prior years have been fully written-down in 2002.

In relation to the Group results before income taxes, the effective tax expense for the reporting year was 43.7 % (2002: 1.5 %). The reconciliation of tax charges based on the current German combined income tax rate in effect of 40.6 % (2002: 39.3 %) for undistributed profits is presented in the table below. The combined income tax rate comprises the corporate income tax rate of 21.8 % (2002: 20.6 %) after trade taxes, solidarity taxes of 5.5 % and the trade tax rate of 17.6 % (2002: 17.5 %).

€ thousands	2003	2002
Net income before income taxes	**371**	**–10,490**
Expected tax expense	–151	0
Taxes on capitalized own work	0	88
Prior year tax expense	–33	–448
Deferred tax income on loss carryforwards	0	3,077
Valuation allowance on deferred tax assets	0	–3,292
Use of loss carryforwards	264	–8
Taxes on non-deductible expenses and income	–245	–40
Revaluation of fixed assets	0	456
Other	3	0
Income taxes	**–162**	**–167**

10. Other disclosures

Extraordinary results

The extraordinary expense in prior year related to expected reimbursement costs for a board member in connection with shares placed on behalf of plenum AG. The reimbursement costs were settled in 2003. The actual expenses totaled to TEUR 985. The difference of TEUR 45 between actual expense and the accrual made in the prior year in the amount of TEUR 1,030 is reported as extraordinary income.

Discontinued operations

Prior year's results from discontinued operations related to the closure of the business segment Channeling. Differences between the effective expenses and the respective provisions, which led to an impact on income in 2003, are reported as discontinued operations for 2003. The table below presents the individual components of the result of discontinued operations. Significant assets and liabilities from discontinued operations did not exist as of December 31, 2003.

€ thousands	2003	2002
Revenues	0	90
Cost of revenues	0	– 612
Gross profit	**0**	**– 522**
Administrative expenses	– 9	– 840
Other operating income	248	5
Other operating expenses	– 240	– 290
Financial result	– 14	0
Result from discontinued operations, net of tax	**– 15**	**– 1,647**

Personnel expenses
Personnel expenses are broken down as follows:

€ thousands	2003	2002
Wages and salaries	16,293	22,562
Social security costs	2,666	3,094
Expenses for pension benefits	131	118
	19,090	**25,774**

In 2003 the company employed an average of 309 (2002: 399) persons. The personnel expenses per employee totaled TEUR 62 (2002: TEUR 65).

Stock-based compensation
plenum AG has a stock option and an employee stock plan.

The shareholders' meeting held on June 14, 2002 authorized the management board, based on approval of the supervisory board, to grant once or several times 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 once or several times option rights on capital stock of plenum AG to members of the management board of plenum AG.

The exercise price on option rights is calculated based on the closing stock price of plenum AG at 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 being granted. The other 50 % of the respective option rights granted may first be exercised after expiration of a waiting period of 3 years after being granted. The exercise of option rights is 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 forfeit without compensation.

During the reporting year there were no rights issued to the members of the management board of plenum AG (2002: 5,000) and no option rights were granted to other eligible persons (2002: none).

	Number of options	Average exercise price in €
Balance at Jan. 1, 2002	**630,550**	**10.08**
Granted	5,000	7.37
Exercised	0	n/a
Cancelled	– 224,050	10.09
Balance at Dec. 31, 2002	**411,500**	**10.04**
Granted	0	n/a
Exercised	0	n/a
Cancelled	– 37,700	10.40
Balance at Dec. 31, 2003	**373,800**	**10.01**

As of December 31, 2003, there were 102,100 exercisable stock options (12/31/2002: 115,250).

As of December 31, 2003, outstanding stock options had an exercise price of between EUR 7.37 and EUR 13.74 and an average exercise price of EUR 10.01. The average remaining term is 2.2 years (12/31/2002: 3.2 years).

Notes to the Consolidated Financial Statements

If the accounting provisions of SFAS 123 Accounting for Stock Based Compensation would apply, 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 assumptions:

	2003	2002
Expected life until exercise	2.2 years	5 years
Risk-free interest rate	2 %	2 %
Expected volatility	29 %	29 %
Expected average dividends	0 %	0 %

Since no stock options were granted in 2003, no expense would have been incurred under SFAS 123.

Within the scope of the employee stock 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. Such shares are at disposition after a waiting period of one year. As in the prior year, employee stock incentives were not granted in 2003.

Costs of purchased merchandise and services

The costs for purchased merchandise and services for 2003 amounted to TEUR 15,289 (2002: TEUR 16,069).

11. Earnings per share

According to the treasury stock method, the stock options issued from 2000 to 2002 did not have dilutive effects on earnings per share, because the average fair value of the share was below the exercise price of the option.

C. Notes to the Consolidated Balance Sheet

12. Non-current assets

The development of intangible assets, property, plant and equipment with definite lives, financial assets and loans of the Group is presented in the table below.

€ thousands	Intangible assets	Property, plant and equipment	Financial assets	Loans	Total
Acquisition costs at Jan. 1, 2003	2,234	8,860	13,977	1,007	26,078
Additions	208	248	6	50	512
Disposals	−4	−258	−1	0	−263
Acquisition costs at Dec. 31, 2003	**2,438**	**8,850**	**13,982**	**1,057**	**26,327**
Accumulated depreciation at Jan. 1, 2003	−1,548	−6,636	−13,870	0	−22,054
Depreciation additions	−273	−835	0	0	−1,108
Depreciation disposals	2	186	0	0	188
Accumulated depreciation at Dec. 31, 2003	**−1,819**	**−7,285**	**−13,870**	**0**	**−22,974**
Net book value at Dec. 31, 2003	**619**	**1,565**	**112**	**1,057**	**3,353**

Intangible assets mainly include software rights (carrying value as of 12/31/2003: TEUR 582). The net book values of property, plant and equipment as of December 31, 2003 include plant and office equipment in the amount of TEUR 642, hardware in the amount of TEUR 473 and leasehold improvements in the amount of TEUR 438. The net carrying value of financial assets as of December 31, 2003 includes reinsurance contracts in the amount of TEUR 73.

Intangible assets with indefinite lives developed as follows:

€ thousands	2003	2002
Net book value at January 1	0	3,337
Accumulated depreciation at December 31	0	–3,337
Net book value at December 31	0	0

Goodwill developed as follows:

€ thousands	2003	2002
Net book value at January 1	0	1,946
Accumulated depreciation at December 31	0	–1,946
Net book value at December 31	0	0

plenum owns securities without a definite maturity that are classified as available for sale. These securities were fully written-down in 2001 due to the insolvency of the respective issuing company. In 2002 and as of December 31, 2003, a write-up was not made, as management estimates that proceeds from a sale of such securities are impossible due to the absence of demand.

The loans relate to loans granted to the chairman of the Management Board (see Note 24).

13. Inventories

This position mainly comprises unbilled project costs.

14. Receivables and other assets

Accounts receivable include valuation allowances for bad debts in the amount of TEUR 263 (12/31/2002: TEUR 654). Prepaid expenses and other current assets are broken down as follows:

€ thousands	Dec. 31, 2003	Dec. 31, 2002
Tax receivables	960	592
Prepaid expenses	171	95
Other	87	680
	1,218	1,367

All receivables have a maturity of less than one year.

15. Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank balances with an original maturity of 3 months or less. Amounts related to affiliated companies totaled TEUR 34 (12/31/2002: TEUR 171).

16. Share capital

As of the beginning and end of the financial year, capital stock, capital authorized for issue and conditional capital were broken down as follows:

€ thousands	
Capital stock	9,577
Capital authorized for issue	4,789
Conditional capital	957

The fully paid-in capital stock of plenum AG is divided into 9,577,068 bearer shares. The capital authorized for issue by the shareholders' meeting in 2002 can be issued until June 14, 2007. The conditional capital resolved by the shareholders' meeting in 2002 serves exclusively to fulfill exercised option rights (regarding the stock option plan refer to Note 10 "Stock-based compensation").

According to a shareholders' resolution dated July 8, 2003, plenum is authorized to acquire treasury stock for certain reasons up to January 8, 2005 up to a share in capital stock of a maximum of 10 % of the issued shares. The acquisition of shares may be conducted directly via the stock exchange by way of a public

Notes to the Consolidated Financial Statements

purchase bid or within the scope of an off-the-board portfolio acquisition. The acquired stock may be resold, redeemed or applied as compensation for a contribution in kind or within the scope of a stock option plan. As of December 31, 2003, plenum owned treasury stock of 16,790 own shares, which were acquired in 2001 at a total price of TEUR 83 and offset against additional paid-in capital. The carrying value of the shares remained unchanged at TEUR 28 as of the balance sheet date. In 2003, no treasury shares were acquired, applied or redeemed.

17. Pension provision

The company granted certain vested direct pension benefits. The amount of pension benefits is based on salary and length of service. The pension obligations under the projected unit credit method were calculated using the following assumptions:

	2003	2002
Interest rate	5.50 %	6.50 %
Inflation rate	1.50 %	2.00 %
Pension rate	0.00 %	3.00 %

The pension obligations and separate plan assets developed as follows during the reporting year:

€ thousands	Dec. 31, 2003	Dec. 31, 2002
Projected benefit obligation (PBO) at the beginning of the year	872	758
Service cost	9	43
Interest cost	36	56
Actuarial gains / losses	– 241	22
Pension payments	– 7	– 7
Projected benefit obligation (PBO) at the end of the year	669	872

The actuarial gains and losses are reported as incurred with an impact on income. As of the December 31, 2003, the accumulated benefit obligation (ABO) corresponded to the projected benefit obligation (PBO). The prior year figures were adjusted to this year's presentation.

€ thousands	Dec. 31, 2003	Dec. 31, 2002
Plan assets at the beginning of the year (fair value)	67	153
Actual return on plan assets	6	5
Company contributions	0	4
Payments to the company	0	– 95
Plan assets at the end of the year (fair value)	73	67

The payments for individual pension benefits are expected to be paid in the subsequent years as follows:

€ thousands	Pension payments
2004	7
2005	7
2006	7
2007	7
2008	7
2009 to 2013	224

In 2003, plenum AG paid an amount of TEUR 94 for a defined contribution plan via a pension trust.

18. Other provisions

Other provisions are broken down as follows:

	Dec. 31, 2003		Dec. 31, 2002	
€ thousands	total	of which > 1 year	total	of which > 1 year
Taxes	355	0	809	0
Outstanding invoices	2,804	0	2,616	22
Personnel accruals	1,290	0	3,071	0
Reimbursed expenses	0	0	1,030	0
Warranties	765	765	522	0
Litigation costs	10	0	205	0
Travel costs	387	0	261	0
Anticipated losses	105	0	0	0
Other accrued liabilities	364	0	434	0
	6,080	765	8,948	22

Regarding the accrual for reimbursed expenses see Note 10 “Extraordinary results”. The accrual for warranties relates to warranty obligations arising from Specified Services Contracts. The accrual for anticipated losses relates to a Specified Services Contract.

19. Liabilities

Liabilities are broken down as follows:

€ thousands	Dec. 31, 2003 total	Dec. 31, 2003 of which >1 year	Dec. 31, 2002 total	Dec. 31, 2002 of which >1 year
Bank loans	188	78	281	179
Advance payments	642	0	2,517	0
Accounts payable	1,666	0	1,298	0
Other liabilities	599	0	894	0
	3,095	78	4,990	179

Bank loans relate to loans granted to affiliated companies. The weighted average interest rate for these loans amounted to 5.3 % in 2003 (2002: 5.6%). The Group has unused credit lines available for cash credit, guarantees, discount or money market credit for daily disposition in the total amount of TEUR 2,295 (12/31/2002: TEUR 1,278). Of these limits, an amount of TEUR 143 was used in the form of guarantees as of December 31, 2003 (12/31/2002: TEUR 215).

Other liabilities consist of:

€ thousands	Dec. 31, 2003	Dec. 31, 2002
Taxes	249	482
Social security	313	383
Other	37	29
	599	894

D. Notes to the Consolidated Cash Flow Statement

The consolidated cash flow statement includes non-cash increases to reinsurance contracts (financial assets) in the amount of TEUR 6 and non-cash increases to loans in the amount of TEUR 50.

E. Other Disclosures

20. 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 143 (12/31/2002: TEUR 215).

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

€ thousands	Dec. 31, 2003	Dec. 31, 2002
2004	1,262	1,212
2005	1,002	961
2006	725	790
2007	641	772
2008	311	435
after 2008	9	11

The expenses for rent and leasing agreements amounted to TEUR 1,818 in 2003 (2002: TEUR 2,436).

21. Pending litigation and other risks

A provision was made at the end of 2003 for litigation risks from pending legal disputes in the amount of TEUR 176 (12/31/2002: TEUR 205).

22. 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

Notes to the Consolidated Financial Statements

ordinary financial management, marketable financial instruments are used such as money accounts, variable and fixed debt securities and stock. Derivatives within the scope of SFAS 133 are not used.

23. Segment information

Corresponding to the internal organization and reporting structure according to the classification of services, segment reporting distinguishes 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 represents adjusted net income before Group-wide costs, depreciation, financial results, consolidation effects and taxes.

€ million		Consulting	Systems	Communication	Total
Net sales	CY	5.7	23.5	11.1	40.3
	PY	10.5	22.0	15.0	47.5
Internal sales	CY	1.9	0.6	0.3	2.8
	PY	1.5	1.4	0.2	3.1
Gross sales	**CY**	**7.6**	**24.1**	**11.4**	**43.1**
	PY	**12.0**	**23.4**	**15.2**	**50.6**
Segment costs	CY	−7.0	−23.0	−10.4	−40.4
	PY	−9.1	−23.3	−15.6	−48.0
Internal Operating Profit (IOP)	**CY**	**0.6**	**1.1**	**1.0**	**2.7**
		8 %	5 %	9 %	6 %
	PY	**2.9**	**0.1**	**−0.4**	**2.6**
		24 %	0 %	−3 %	5 %

CY = current year, PY = prior year

The internal operating profit of the segments reconciles to the Group net income as follows:

€ million	Jan. 1 – Dec. 31, 2003	Jan. 1 – Dec. 31, 2002
IOP	**2.7**	**2.6**
Group wide costs and consolidation effects	−1.5	−3.7
EBITDA	**1.2**	**−1.1**
Depreciation	−1.1	−8.0
Financial results and taxes	0.1	1.1
Extraordinary results and results from discontinued operations	0.0	−2.7
Net income	**0.2**	**−10.7**

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

The Group's customer structure did not result in any major concentration in any given geographical region. Revenues of 39 % were generated from one major customer in 2003 (2002: 22 %).

24. Related Party disclosures

plenum Systems GmbH maintains business relations with Informatic Consulting Bauer GmbH, Moos. The sole managing director and manager of Informatic Consulting Bauer GmbH is Michael Bauer, the Chairman of the Supervisory Board of plenum AG. Informatic Consulting Bauer GmbH renders lecturer services within the seminar program of plenum Systems GmbH and solicits seminar projects. In 2003, plenum Systems GmbH received services in the amount of TEUR 158 (2002: TEUR 192) from Informatic Consulting Bauer GmbH, Moos. As of December 31, 2003, there were liabilities due to Informatic Consulting Bauer GmbH in the amount of TEUR 6 (12/31/2002: TEUR 14).

plenum AG maintains business relations with Dr. Händel, member of the Supervisory Board of plenum AG. Dr. Händel renders consulting services in the financial sphere of plenum AG, such as for accounting inquiries, acquisition meetings and through his contacts to financial institutions. In 2003, plenum AG received services in the amount of TEUR 10 (2002: TEUR 4) from Dr. Händel. As of December 31, 2003 and as of December 31, 2002, there were no receivables or payables due to or from 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.

In 2003, the accrual created in the prior year (TEUR 1,030) for reimbursed expenses to the chairman of the board for shares placed on behalf of the company in the amount of TEUR 985 was accordingly utilized. The Supervisory Board approved this reimbursement in February 2003 (refer to note 10 "extraordinary items").

Since January 1, 2003, plenum AG has maintained business relations with KomPuls GmbH, Eltville. The managing director is Christiane Skubch-Janssen, the wife of the Chairman of the Management Board. KomPuls GmbH organizes events and makes facilities available, for example for expert forums, management briefings and acquisition meetings with potential new customers or existing customers. In 2003, plenum AG received services in the amount of TEUR 110. As of December 31, 2003, a provision for outstanding invoices in the amount of TEUR 3 was recorded for KomPuls GmbH.

plenum stoll & fischbach Communication GmbH maintains business relations with S&F GmbH & Co. KG. The managing directors are Heinz Stoll, member of the Management Board of plenum AG and managing director of plenum stoll & fischbach Communication GmbH, and Gerhard Fischbach, managing director of plenum stoll & fischbach Communication GmbH. S&F GmbH & Co. KG rents office space and parking spaces located at "Johannes-Kepler-Straße 4–6, 71083 Herrenberg" to plenum stoll & fischbach Communication GmbH. In 2003, plenum stoll & fischbach Communication GmbH paid rents including utility costs in the amount of TEUR 244 (2002: TEUR 243) to S&F GmbH & Co. KG. As of December 31, 2003, payables existed in the amount of TEUR 24 (2002: TEUR 16).

25. Important events after the balance sheet date

On February 18, 2004, two Specified Services Contracts with a total volume of EUR 8.2 million were entered into. These Specified Services Contracts include services that were already rendered in 2003.

On January 2, 2004, Bernhard Achter resigned from the Management Board plenum AG. His responsibilities were assigned to Hartmut Skubch (who in future will also be responsible for sales) and Klaus Gröne (who in future will also be responsible for the segment plenum Systems).

26. Corporate Governance

plenum AG welcomes the further developments of the German Corporate Governance Code, which was developed by the regulatory commission and published for the first time in 2002. Therewith, a standardized assessment catalog was presented for responsible management, which was further amended in 2003.

On December 19, 2003, the Management Board and the Supervisory Board submitted a compliance declaration to the recommendations of the regulatory commission for the German Corporate Governance Code pursuant to Article 161 AktG and made this declaration available to the shareholders via the Internet homepage. The Boards declared that they have followed the Code to a major extent and will continue to do so in the future.

Notes to the Consolidated Financial Statements

27. Executive bodies of the company

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

Shares held by the Management Board	Hartmut Skubch Number of shares	Klaus Gröne Number of shares	Bernhard Achter Number of shares	Heinz Stoll Number of shares*	Total Number of shares
Balance at Jan. 1, 2003	2,167,754	20,453	0	531,500	2,719,707
Additions	0	0	0	0	0
Disposals	–176,501	0	0	0	–176,501
Balance at Dec. 31, 2003	**1,991,253**	**20,453**	**0**	**531,500**	**2,543,206**

* shares held indirectly

Stock options of the Management Board	Hartmut Skubch Number of options	Klaus Gröne Number of options	Bernhard Achter Number of options	Heinz Stoll Number of options	Total Number of options
Balance at Jan. 1, 2003	56,500	25,200	5,000	0	86,700
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Balance at Dec. 31, 2003	**56,500**	**25,200**	**5,000**	**0**	**86,700**

Bernhard Achter resigned from the Management Board on January 2, 2004. His stock options forfeited as of the date of his resignation.

Shares held by the Supervisory Board	Michael Bauer Number of shares*	Dr. Wolfgang Händel Number of shares*	Norbert Rohrig Number of shares	Total Number of shares
Balance at Jan. 1, 2003	370,360	3,500	700	374,560
Additions	0	0	0	0
Disposals	0	0	0	0
Balance at Dec. 31, 2003	**370,360**	**3,500**	**700**	**374,560**

* shares held indirectly

Total remuneration (cash compensation, monetary benefits and insurance) granted by plenum AG to the members of the Management Board for the financial year 2003 amounted to TEUR 1,083 (2002: TEUR 1,338 including severance payment), of which TEUR 113 related to variable remuneration (2002: TEUR 263). The members of the Supervisory Board of plenum AG received a total remuneration of TEUR 29 (2002: TEUR 20).

Members of the Management Board

Name	Function	Memberships in supervisory boards or similar German and foreign control bodies of business entities (as of Dec. 31, 2003)
Hartmut Skubch (Chairman)	Strategy and Finance	
Klaus Gröne	plenum Management Consulting and Human Resources	
Heinz Stoll	plenum Communication and Marketing	
Bernhard Achter *	plenum Systems and Sales	aloba AG, Burgdorf (Switzerland)

* Bernhard Achter resigned from the Management Board on January 2, 2004.

Members of the Supervisory Board

Name	Function	Memberships in other supervisory boards or similar German and foreign control bodies of business entities (as of Dec. 31, 2003)
Michael Bauer (Chairman)	plenum founder and IT-consultant, managing director of Informatic Consulting Bauer GmbH, Moos	Chairman of the supervisory board of Subito AG, Mörfelden-Walldorf Chairman of the supervisory board of Advanced Internet Systems AG, Munich
Dr. Wolfgang Händel	Business consultant	Supervisory board of Solutio AG, Munich Advisory council of Spezialtechnik Dresden GmbH, Dresden Chairman of the advisory council of ISA-TRAESKO GmbH, Neumünster
Norbert Rohrig	Member of the management board of AXA Konzern AG, AXA Lebensversicherung AG, AXA Versicherung AG, AXA Service AG, all in Cologne	Advisory council of AXA Technology Services Germany GmbH, Cologne Advisory council of U.S.U. AG, Möglingen Advisory council of EDS Deutschland GmbH, Hamburg

Wiesbaden, March 5, 2004

The Management Board

Hartmut Skubch | Klaus Gröne | Heinz Stoll

List of Investments

Name and location of company	Share in capital
1. Affiliated companies	
plenum Management Consulting GmbH, Wiesbaden	100 %
plenum Systems GmbH, Wiesbaden	100 %
plenum stoll & fischbach Communication GmbH, Herrenberg	100 %
2. Material other investments	
aloba AG, Burgdorf (Schweiz)	15 %

Audit Opinion

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, 2003. 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*. 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, 2003 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, 2003, 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, 2003 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 5, 2004

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Kompenhans	Ludwig
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Accountant)	(German Public Accountant)

Corporate calendar 2004

March 25, 2004
Publication of
Annual Report 2003

May 25, 2004
Publication of report
for the first quarter 2004

June 17, 2004
General Meeting 2004
Casino Gesellschaft
Wiesbaden

June 18, 2004
Analyst conference 2004
Francfurt

August 26, 2004
Publication of report
for the first half 2004

November 25, 2004
Publication of report
for the first three quarters 2004

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