
Interim Report 3/2004

(US-GAAP) as of September 30, 2004



...) plenum . . .

Overview

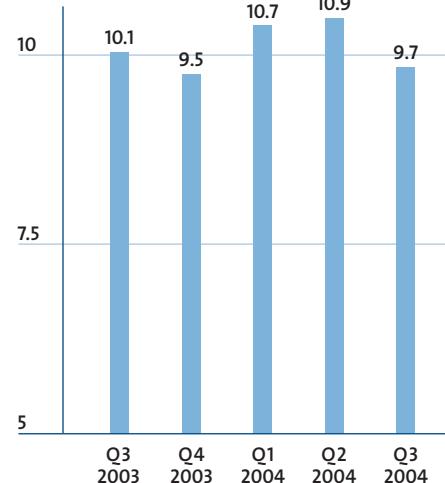


plenum Group – key figures (US-GAAP) in € thousands

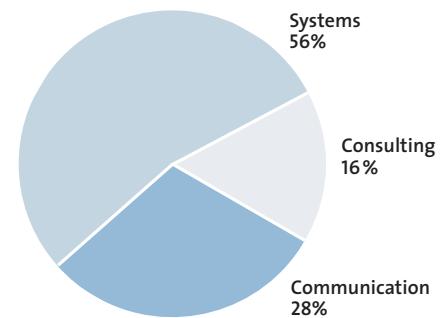
	Jan. 1 – Sept. 30, 2004	Jan. 1 – Sept. 30, 2003
Revenues	31,363	30,795
Gross profit	5,307	5,456
EBITDA	298	919
EBIT	–333	82
Group net income/loss	–163	262
Earnings per share (in €; undiluted/diluted)	–0.02	0.03
Shares outstanding (basic; undiluted/diluted in thousands)	9,577	9,577
Equity ratio as at Sept. 30, 2004 / Dec. 31, 2003	52%	50%
Net liquidity ¹ as at Sept. 30, 2004 / Dec. 31, 2003 (in € thousands)	4,911	7,351
Average number of employees as at Sept. 30, 2004 / Dec. 31, 2003	260	309
Employees as at Sept. 30, 2004 / Dec. 31, 2003	258	269

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

Revenue development (in € million)



Revenues structure after nine months



plenum AG

plenum Management Consulting

plenum Systems

plenum Communication

Dusseldorf • Frankfurt • Cologne • Stuttgart/Herrenberg
Stuttgart/Leinfelden • Wiesbaden

Letter to Shareholders

Dear shareholders and business partners,

The progressive degree of industrialisation with respect to IT application development – as in the general plant construction industry – increasingly requires specialised companies. As main contractors, these companies assume responsibility for realising IT projects and also control international sub-contractors during actual development.

In the last few years, we have expanded this capability and have already demonstrated this within the scope of a number of large-scale projects. Our strategic positioning as a main contractor for IT projects has shown an increasingly positive response on the market within the past few weeks. Even while concluding Project Phoenics and working on follow-up business, we are simultaneously in negotiation with a number of customers regarding large-scale projects. Consequently, we anticipate positive impetus in company development for the business year 2005.

Overall, after three quarters of the financial year 2004, with a figure of EUR 31.4 million, we have achieved a slight growth in turnover against the previous year (EUR 30.8 million). Following a strong increase in turnover in the first two quarters, at EUR 9.7 million, the third quarter turned out weaker than anticipated at the half-year point. Our flexible cost structure nevertheless ensured a positive EBITDA of around EUR 0.2 million and a mildly positive group result of EUR 0.05 million in the third quarter. Overall, after nine months, the group recorded a loss in the region of EUR 0.2 million (previous year: group surplus of EUR 0.3 million), which resulted from the first quarter.

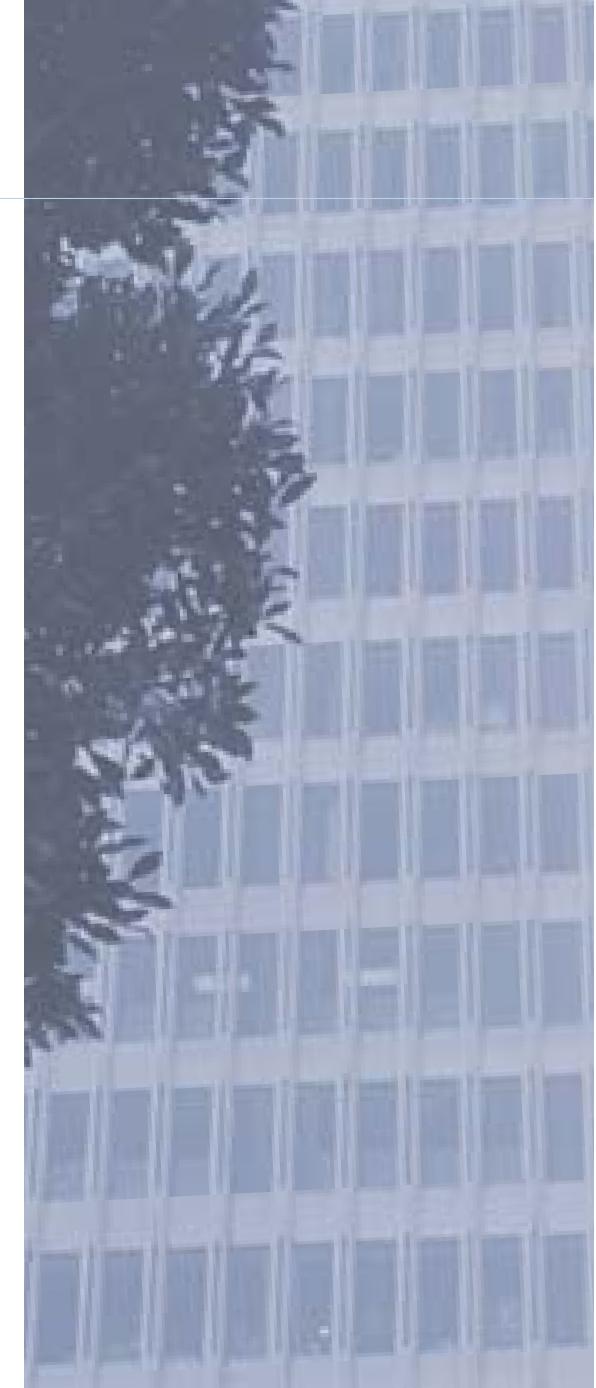
An increase in turnover for 2004 as a whole in comparison to the previous year is nonetheless anticipated. Provided that project contracts are awarded and/or completed as expected in December, with revenues of approximately EUR 41 million, a positive total group net income should be achieved for the financial year 2004.

Wiesbaden, November 2004



Hartmut Skubch
Chairman of the Managing Board

A handwritten signature in blue ink, appearing to read "H. Skubch".



Interim Management Report

Economic environment

The recovery of the general economy in Germany is also continuing into the third quarter of 2004, but it has lost dynamics. Compared to the previous quarter, the increase only amounted to +0.1% (compared to +0.4% in the 1st and 2nd quarter). After a very substantial expansion of export activities in the first half of 2004, the impulse has weakened due to the oil prices. At the same time, the investment demand of the economy in general and the propensity to consume remained weak and still continued to not make any positive contribution to growth.

Industry sector studies indicate continued recovery in the IT services sector, also for the medium term. However, the actual extent and the time when the recovery will take effect are still very dependent on how prepared companies are to invest. This continues to be clouded with major uncertainty, due to the restrained cyclical development in the second half-year.

The slight increase in the advertising market is continuing, according to information from the industry's associations. Nevertheless, under the current circumstances, it is foreseeable that no sustainable upsurge can be expected in the advertising sector in 2004. Growth that is parallel to the gross domestic product is likely to occur. Many companies are delaying and not increasing their advertising budgets because there is still too little trust in improving their chances for sales.

Business developments and earnings situation

Following increasing turnover in the first two quarters, there was a drop in the revenues in the third quarter. At Euro 9.7 million, the turnover was below the value of the previous quarter (Euro 10.9 million) as well as

below the value of the previous year (Euro 10.1 million). Contrary to our expectations, the economic dynamics remained at a low level in the third quarter. On the whole, at approximately Euro 31.4 million, plenum AG achieved slight growth to the turnover after nine months in 2004 compared to the previous year (Euro 30.8 million).

The development of net revenues in the third quarter was only stable in the management consulting segment. In the systems segment, there was a slight drop in turnover, which was primarily due to quarterly fluctuations in project business. Through the simultaneous reduction of the percentage of external services, it was possible to reduce the effect on profit. Following positive development in the first half-year, turnover development of plenum Communication is restrained by fluctuations in the media and production business.

At Euro 0.2 million, the earnings before interest, taxes, depreciation and amortisation (EBITDA) in the third quarter remained at the level of the previous quarter. After having the first quarter burdened by increased risk provision for Specified Services Contracts, the EBITDA consequentially amounted to a total of Euro 0.3 million (previous year: Euro 0.9 million). At approximately Euro 50 thousand, Group net income were achieved again in the third quarter. On the whole, it was possible to lower the Group net loss to approximately Euro -0.2 million after nine months (previous year: group net income of Euro 0.3 million). Consequently, the earnings per share after three quarters amount to Euro -0.02 (previous year: 0.03) for 9,577,068 outstanding shares in each case.

Cost development

The gross profit increased in the third quarter slightly to 21% (previous quarter: 18%; same quarter in previous year: 17%). The cause of this is primarily the drop in turnover of the weak-margin business with external services. The services that were bought dropped from Euro 5.2 million in the first quarter of the current financial year and Euro 5.1 million in the second quarter to Euro 4.1 million in the third quarter. The administrative costs dropped in the third quarter according to expectations. The change corresponds to the usual seasonal course of events.

The decline of the balance of other operating income and expenses is essentially attributable to the changes in the third quarter of 2004 to individual value adjustments to receivables, write-offs of provisions, cash discounts received, and payments in kind amounting to a total of Euro 354 thousand that were assigned to the remaining function costs in a way that was fair according to the input involved. Through this, the costs of revenues were credited by Euro 148 thousand, the selling expenses by Euro 20 thousand and the administrative costs by Euro 186 thousand.

Net assets and financial position

The holdings of cash and cash equivalents diminished on 30.09.2004 compared to the end of the first half-year by approximately 38% to Euro 5.2 million (-36% compared to the end of 2003). This development corresponds to the increase of receivables by 20% to approximately Euro 10.3 million (Euro 8.6 million at the end of the 2nd quarter) and the reduction of the trade payables and the current provisions by approximately 20% in each case compared to the end of the first half-year.

The increase of the amount of receivables mainly resulted from project services that have not yet been invoiced. The reduction of the current provisions was divided up over several individual items in which the greatest are provisions for outstanding invoices (Euro 0.5 million) and provisions for imminent losses from uncompleted transactions (Euro 0.4 million).

Compared to the end of the previous quarter (Euro 8.1 million), the net liquidity has dropped by Euro 3.2 million (40%). The amount of the decline corresponds to the decline of liquid assets.

After the cash flow from operating activities turned out positive on the whole after six month at approximately Euro 0.5 million, there is a cash outflow from operating activities after nine months of a total of approximately Euro 2.6 million. This corresponds to the development of the amount of receivables, which has increased by a total of approximately Euro 3.3 million in the same time period.

Outlook

With higher overall revenues after three quarters in comparison to the previous year, an overall increase in turnover against last year is still anticipated for 2004. Provided that project contracts are awarded and/or completed as expected in December, with revenues of approximately EUR 41 million, a positive net income should be achieved for the financial year 2004.

As a result of current business development, the management board has optimistic expectations for the financial year 2005.



Segment information in € million (Jan. 1 – Sept. 30, 2004)		Consulting	Systems	Communication	Total
Net sales	CY	4.2	18.1	9.1	31.4
	PY	4.4	17.9	8.5	30.8
Intercompany	CY	1.2	0.4	0.2	1.8
	PY	1.5	0.4	0.2	2.1
Gross sales	CY	5.4	18.5	9.3	33.2
	PY	5.9	18.3	8.7	32.9
Segment costs	CY	-5.2	-18.4	-9.1	-32.7
	PY	-5.3	-17.5	-8.1	-30.9
Internal Operating Profit (IOP)	CY	0.2	0.1	0.2	0.5
	Margin	3%	1%	2%	1%
	PY	0.6	0.8	0.6	2.0
		10%	4%	7%	6%

CY = Current year, PY = Prior year

Reconciliation of operating segment results in € million		Jan. 1 – Sept. 30, 2004	Jan. 1 – Sept. 30, 2003
IOP	0.46		1.98
Group wide costs and consolidation effects	-0.16		-1.06
EBITDA	0.30		0.92
Depreciation	-0.63		-0.84
Financial results and income tax	0.17		0.18
Group net income	-0.16		0.26

Segments

plenum Management Consulting

At Euro 5.4 million, the gross revenues of plenum Management Consulting after nine months is indeed below the value of the previous year (Euro 5.9 million). However, compared to the last quarter (Euro 1.8 million), the turnover development was again kept at a stable level in the third quarter. The percentage of Consulting in the total gross revenues, therefore reached 16% compared to 18% in the previous year.

After having already achieved balanced, or more precisely slightly positive segment earnings in the past two quarters, Management Consulting once again achieved internal operating profit (IOP) of Euro 0.1 million.

The increasing demand for consulting services for the subject of customer communications and management of customer relationships was also noticeable in the third quarter. The Management Consulting currently supports a German supplier company in developing its foundation and strategic guidelines in the area of customer relationship management. The objective of the project is to take a top position in the industry sector with regard to customer orientation and to use this for decisive differentiation from its competitors.

In the third quarter, Consulting received an order from a logistics company that operates worldwide to support the company in marketing its key application. The central challenge in this project is to further develop a

tried and proven, in-house development that has only been used internally so far into a solution that can be marketed and sold. Here, the duties of plenum include validating the concept and preparing the organisation for the new challenge.

plenum Systems

At Euro 6.0 million, the gross revenues of plenum Systems in the third quarter was somewhat weaker than in the previous quarter (Q2: Euro 6.3 million). At Euro 18.5 million, the gross revenues after nine months continues to be above the already good value of the previous year of Euro 18.3 million. With a 56% share of turnover, plenum Systems remains the largest provider of turnover in the Group.

In the third quarter, plenum Systems had segment earnings of Euro 0.2 million. Consequently, the IOP reached a value of a total of Euro 0.1 million after nine months.

The extension of the cooperation with major customers and the continuation of ongoing projects were of major significance for plenum Systems in the third quarter. For example, Systems was hired to further develop the Intranet portal of a logistics company after having already completed the setup of the portal infrastructure in 2002. Now, in addition to a business intelligence project that has been running for more than 12 months with an insurance company, plenum Systems has received a follow-on order.



plenum Communication

With gross revenues of a total of Euro 9.3 million, plenum Communication exceeded the value of the same timeframe in the previous year by approximately 7% (previous year: Euro 8.7 million). Compared to the previous quarter (Q2: Euro 3.4 million), the gross revenues of Euro 2.6 million in the third quarter have still dropped considerably. This drop essentially results from fluctuations in the media and production business so that the effect on earnings was limited. Therefore, it was possible to achieve balanced segment earnings in the third quarter as well. As a result, the internal operating profit after nine months was Euro 0.2 million.

In the third quarter, plenum Communication successfully expanded its good position in the food industry with additional orders. After having the French cheese exporter Lactalis make use of the expertise of plenum Communication, it was possible to gain new customers in the food industry in the third quarter. plenum will use various communications measures to support the market launch of a new product from Rübezahl Chocolates – among others well-known as a licensee of Disney. For Settele, manufacturers of Swabian specialities and delicatessen products, the agency is responsible for a multitude of marketing activities such as the creation of a new claim, radio spots, professional advertisements, and PR projects.

In the online sector, the development of a platform for STIHL distribution subsidiaries in 25 countries was one important activity in the third quarter. This platform can be used to enter marketing materials centrally that are subsequently made available to other countries. In addition, the platform is used for the documentation of all marketing and communications activities of STIHL worldwide.

Reconciliation to Group net income

Group costs have dropped compared to the previous quarter (H1: 0.14 million; Q3 0.02 million). Due to the change to the cost allocation that took place at the beginning of the year, the costs continue to be considerably below the level of the previous year.

Other disclosures

Order backlog

At Euro 9.7 million, the order backlog as of September 30, 2004 had dropped compared to the end of the second quarter (Euro 15.1 million). After the expansion of the Phoenics project at the beginning of the year had led to a significant expansion of the backlog, the scheduled project progress is reflected in the further decline of the backlog. The decline of the backlog compared to the end of 2003 (Euro 10.6 million) is justified by the seasonal fluctuation in the Communications segment.

Employees

Compared with the end of the first half-year of 2004, the number of employees on September 30, 2004 dropped slightly from 266 to 258. Therefore, the average workforce after nine months in the current financial year is 260 in contrast to 309 employees in the past business year.

Research and development

Expenses for research and development in the third quarter were once again at a considerably lower level than in the previous quarter. In general, at Euro 0.2 million after nine months, they are already higher than the level of the entire year in 2003. These expenses are mainly used for further development of the existing range of services.

Investments

The company made no significant investments in the first nine months of 2004.

Other operating income and expenses

Other operating income and expenses are broken down as follows

	Jan 01 – Sept. 30, 2004	Jan 01 – Sept. 30, 2003
€ thousands		
Other operating income	14	1,981
Other operating expenses	-7	-414
	7	1,567

Financial results

The financial result is composed of the following positions

	Jan 01 – Sept. 30, 2004	Jan 01 – Sept. 30, 2003
€ thousands		
Income from investments	0	1
Income from other securities and loans	38	38
Other interest and similar income	102	156
Interest and similar expenses	-27	-32
Financial result	113	163

Risk development

There have been no material changes in the risk situation of plenum AG and its affiliates compared to the detailed description presented in the Annual Report 2003.

Subsequent events

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

Interim dividend

plenum AG did not pay and does not propose to pay any interim dividend or make any other distributions for the period under review, January 1 to Sept. 30, 2004.

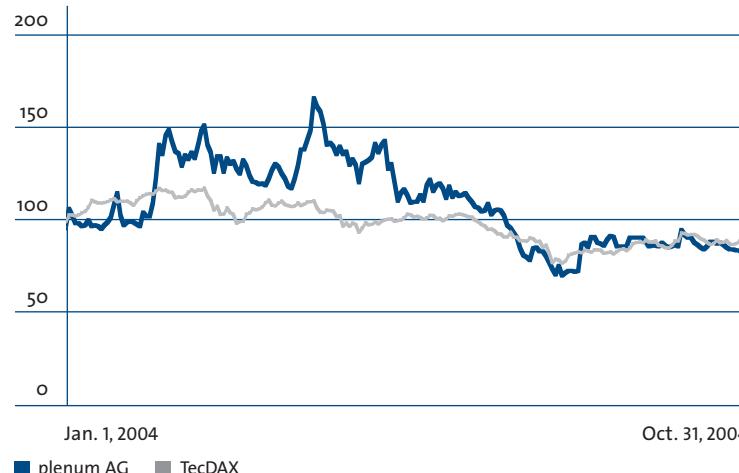
The plenum Share

It was possible for the plenum share to recover from the weak phase of the capital market during the summer by the end of the third quarter. Since the end of August, the price has been developing in a stable sideways trend with considerably less volatility.

In contrast to the beginning of the year, the share has lost approximately 14%, while the TecDAX lost approximately 8% in the same time period.

The DAX, which is more stable during the course of the year, was even able to slightly exceed the starting value from time to time in the past few weeks. The price development of the plenum share has not been able to duplicate the more amicable tendency of the capital markets since the beginning of November.

Share price performance vs. TecDAX (indexed)



Treasury shares and subscription rights

As of September 30, 2004 plenum AG or other companies as defined by section 160 (1) clause 2 of the Aktiengesetz (AktG – German Public Companies Act) continued to hold 16,790 treasury shares of plenum AG.

No convertible bonds or similar securities as defined by section 160 (1) clause 5 of the AktG had been issued as of September 30, 2004.

As of September 30, 2004, 340,950 subscription rights had been issued in accordance with section 192 (2) clause 3 of the AktG. 81,700 of these related to the executive bodies of plenum AG. No subscription rights were granted in the current fiscal year.

Shareholder structure (directors' holdings)

plenum AG's registered capital was unchanged at 9,577,068 no-par value shares as of September 30, 2004.

Shares, Managing Board members	Hartmut Skubch	Klaus Gröne	Heinz Stoll	Total
	Number of shares	Number of shares	Number of shares	Number of shares
Dec. 31, 2003	1,991,253	20,453	531,500*	2,543,206
Sept. 30, 2004	1,891,253	20,453	431,500*	2,343,206

* Indirect shareholding

Subscription rights, Managing Board members	Hartmut Skubch	Klaus Gröne	Heinz Stoll	Total
	Number of shares	Number of shares	Number of shares	Number of shares
Dec. 31, 2003	56,500	25,200	0	81,700
Sept. 30, 2004	56,500	25,200	0	81,700

Shares, Supervisory Board members	Michael Bauer	Dr. Wolfgang Händel	Norbert Rohrig	Total
	Number of shares	Number of shares	Number of shares	Number of shares
Dec. 31, 2003	370,360*	3,500	700	374,560
Sept. 30, 2004	370,360*	3,500	700	374,560

* Indirect shareholding

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



Income Statement

€ thousands	Q3-2004	Q3-2003	Jan. 1– Sept. 30, 2004	Jan. 1– Sept. 30, 2003	
Revenues	9,704	10,094	31,363	30,795	
Cost of revenues	–7,674	–8,415	–26,056	–25,339	
Gross profit	2,030	1,679	5,307	5,456	
Selling and marketing expenses	–1,257	–1,340	–3,744	–4,148	
General and administrative expenses	–416	–685	–1,660	–2,659	
Research and development expenses	–21	–116	–243	–134	
Other operating income and expenses	–333	463	7	1,567	
Operating income	3	1	–333	82	
Financial result	43	51	113	163	
Result before income taxes	46	52	–220	245	
Income taxes	2	73	57	17	
Net income / loss	48	125	–163	262	
Earnings per share (in €; diluted/undiluted)	0.00	0.02	–0.02	0.03	
Weighted average shares outstanding (in thousands, diluted/undiluted)	9,577	9,577	9,577	9,577	

Consolidated Balance Sheet

Assets € thousands	Sept. 30, 2004	Dec. 31, 2003	Liabilities and shareholders' equity € thousands	Sept. 30, 2004	Dec. 31, 2003
Cash and Cash Equivalents	5,157	8,103	Short term debt and current portion of long-term debt	46	110
Trade accounts receivable	10,300	6,954	Trade accounts payable	1,977	1,666
Inventories	0	285	Advance payments received	200	642
Prepaid expenses and other current assets	419	1,218	Accrued expenses	4,665	5,315
Total current assets	15,876	16,560	Deferred taxes	71	102
Property, plant and equipment	1,297	1,565	Other current liabilities	760	599
Intangible assets	495	619	Total current liabilities	7,719	8,434
Investments	112	112	Long-term debt, less current portion	78	78
Loans	1,094	1,057	Deferred taxes	610	765
Deferred taxes	15	7	Pension accruals	671	669
Total non current assets	3,013	3,360	Total non current liabilities	1,359	1,512
Total Assets	18,889	19,920	Share Capital	9,577	9,577
			Additional paid-in capital	14,151	14,151
			Treasury Stock	-83	-83
			Accumulated deficit	-13,834	-13,671
			Total Shareholders' equity	9,811	9,974
			Total Liabilities and Shareholders' equity	18,889	19,920

Cash Flow Statement

Statement of Changes
in Shareholders' Equity

€ thousands	Jan. 1 – Sept. 30, 2004	Jan. 1 – Sept. 30, 2003
Net income / loss	–163	262
Adjustments:		
Depreciation and Amortization	631	837
Net results from disposal of intangible assets and property, plant and equipment	–5	60
Other non-cash expenditure and income	–38	–25
Changes in assets & liabilities:		
Changes in inventories	285	–370
Changes in receivables	–3,346	–1,118
Changes in prepaid expenses and other current assets	799	–583
Changes in trade accounts payable	311	275
Changes in other liabilities	–281	–2,028
Changes in accrued expenses	–803	–1,227
Changes in other assets and liabilities	–39	–40
Net cash from operating activities	–2,649	–3,975
Proceeds from the disposal of intangible assets, property, plant and equipment	9	10
Payments for purchase of intangible assets, property, plant and equipment	–242	–167
Net cash from investing activities	–233	–157
Changes in debt	–64	–70
Net cash from financing activities	–64	–70
Decrease in cash & cash equivalents	–2,946	–4,184
Cash & cash equivalents at beginning of period	8,103	13,305
Cash & cash equivalents at end of period	5,157	9,121

Net inflows from interest: TEUR 75 (Jan.1–Sept. 30, 2003: TEUR 123)
Net inflows from income tax TEUR 20 (Jan.1–Sept. 30, 2003: TEUR 6)

€ thousands	Number of shares in thous.	Net Income/ Net loss	Share capital	Additional paid-in capital	Treasury stock	Other Comprehensive Income	Accumulated deficit	Total Shareholders' equity
Jan. 1, 2003	9,577		9,577	14,151	–83	0	–13,880	9,765
Net income		262					262	262
Sept. 30, 2003	9,577		9,577	14,151	–83	0	–13,618	10,027
Jan. 1, 2004	9,577		9,577	14,151	–83	0	–13,671	9,974
Net loss		–163					–163	–163
Sept. 30, 2004	9,577		9,577	14,151	–83	0	–13,834	9,811

General information

This consolidated interim report of plenum AG was prepared in accordance with the United States Generally Accepted Accounting Principles (US-GAAP) for interim reporting and has not been audited. Certain detailed information and disclosures in the notes, included in the US-GAAP consolidated financial statements, have been summarized or omitted here.

This consolidated interim report should be read in conjunction with the audited consolidated financial statements of plenum AG as of December 31, 2003 and the disclosures in the notes contained therein. The notes contained therein also apply to this interim report and are only cited where there are explicit changes.

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



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