Annual Report 2004

…) plenum · · ·

plenum Group key figures in € thousands	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003[2]	Jan. 1 – Dec. 31, 2002	Jan. 1 – Dec. 31, 2001	Jan. 1 – Dec. 31, 2000
Revenues	**41,005**	40,266	47,474	64,957	47,182
Gross profit	**5,800**	6,628	10,265	19,369	19,630
EBITDA	**–1,048**	1,236	–1,103	5,086	4,591
EBIT	**–1,845**	128	–7,120	3,430	3,273
Group net loss	**–1,653**	209	– 10,657	–11,631	1,818
Earnings per share in € (undiluted)	**–0.17**	0.02	–1.11	–1.21	0.21
Shares outstanding (basic, in thousand)	**9,577**	9,577	9,577	9,577	8,477

plenum group key figures	2004	2003	2002	2001	2000
Equity ratio as at December 31	**43 %**	50 %	40 %	61 %	70 %
Cash and cash equivalents as at Dec. 31 (in € thousand)	**6,632**	8,103	13,305	7,513	6,195
Net liquidity[1] as at Dec. 31 (in € thousand)	**6,434**	7,351	10,686	6,976	4,631
Working Capital (in € thousand)	**6,996**	8,126	6,875	11,005	6,263
Longterm assets/ longterm debt and equity	**0.3**	0.3	0.4	0.5	0.8
Current assets / current liabilities	**1.7**	2.0	1.5	2.0	1.5
Average number of employees	**256**	309	399	390	254
Employees at year end	**242**	269	338	462	318

[1] Liquid funds less short-term bank liabilities and advance payments received
[2] Individual amounts have been reclassiefied

Contents

Letter to Shareholders

Dear shareholders and business partners,

After years of economic weakness, we started 2004 with restrained optimism, even though we – as well as many of our customers – still had considerable doubt about the sustainability of an economic revival. This sustainability didn't materialise and the market for IT and communications services was again characterised by stiff price competition. Consequently, with sales revenues of Euro 41 million, we fulfilled our revenue forecast but missed our income goal considerably.

plenum – leading technology expertise demonstrated by the Phoenics software

By developing the Phoenics software, which is in our opinion one of the largest and most modern software development projects in Germany, we have proven our technological innovative power and implementation strengths. After the project ran three years, we were able to show our ability to successfully manage the technical and organisational competence of the entire modern software development process in a large project. This is certainly a recommendation for customers with similar complex tasks.

In the final negotiations of the Phoenics project, we had to accept lower earnings for the 4th quarter of 2004, however this was combined with booked business amounting to approximately Euro 5 million for further application development services in 2005.

Due to the dramatic fall in the price of programming services, it was not possible to acquire additional large projects in 2004 to reduce the dominance of the Phoenics project, which accounted for approximately 42 % of total revenue in 2004. Also, the strategic partnership with the Indian system house Polaris didn't result in the desired success due to restrained demand for offshore sourcing in Germany.

plenum – an innovative consulting company with strong implementation expertise

With the successful completion of the Phoenics project and more than 130 additional projects – most of which with tasks requiring intensive consulting – with more than 150 customers, we were able to further expand our position as a consulting company with strong revenue.

We owe this performance to the motivation and expertise of our approximate 240 employees. Especially in theses difficult economic times, innovative thinking and flexibility in finding solutions is of decisive importance in addition to high technical competence. At this point, we would like to say thank-you for the special customer commitment and the loyalty to our company.

Demand – from cost reduction to strategic measures

While the actions of CIOs in the past few years were dominated by the reduction of IT budgets, in 2004 there was an increase in the number of strategic issues. Here, it was not so much setting the technological course that was under discussion as efficient support of the business strategy through innovative IT solutions. Key subjects were market management (CRM: customer relationship management), process optimisation through e-business and by managing IT along the corporate goals (IT governance). Here, plenum has a very good position for the future with its range of services.

Demand – innovative power and implementation expertise

The finalisation of contracts is still being dominated by price discussions at the end of the negotiations. There is only a slow transition to the awareness that quality also has a price. However, combined with our customers' desire to have proven innovative power and strong implementation expertise, we have been able to gradually assert ourselves against exclusive price orientation and make our added value transparent.

Profitability – revenue goal achieved, value creation too low

In 2004, plenum was able to increase total revenue by approximately 2 % compared to the prior year. However, value creation dropped (sales revenue minus external services) by 8 % to Euro 22.9 million (drop of approximately Euro 2 million).

Savings in personnel costs (reduction of the ratio by 3 percentage points to approx. 44 %) amounting to Euro 0.9 million were not sufficient to compensate for the effect of the decline in value creation. Combined with unexpected high costs of business development in the 4th quarter – especially in December – we have to cope with a loss of Euro 1.7 million.

Outlook for 2005

Consequently, the highest priority for 2005 is to increase our value creation in order to achieve a return to profitability. Here, consistently focussing on subject matter that requires intensive consulting is decisive in order to escape the price war for implementation jobs. Therefore, we will intentionally forego pure implementation business – even at the cost of revenue development. Closer organisational and personnel interlocking of the Systems and Consulting lines of business that is related to this positioning had already been initiated in December 2004 and will be completely implemented during the course of financial year 2005.

In the Communications business, we will continue to push ahead with distinguishing the individual business units within the agency network and complete our range of products by expanding our co-operative work.

Wiesbaden, April 2005

Hartmut Skubch
Chairman of the Board
plenum AG
Sales department

Heinz Stoll
Managing Board
plenum
Communication GmbH
Marketing department

Klaus Gröne
Managing Board
plenum Management
Consulting GmbH
and plenum Systems GmbH
Human resources department

plenum – the Company

Positioning: Consulting company with great expertise in solutions

In the past few years, plenum has continued to consistently develop its position as a consulting company with expertise in implementing innovative and high-quality IT and communications solutions. This distinct consulting expertise combined with successful and proven experience in the organisational and technical implementation of the solutions is an important characteristic, which is valued by holistically-thinking and solution-orientated customers and which at the same time clearly raises us above the competition.

In the consulting phase, we develop the structure of the IT, organisation, or alternatively the communications solutions cooperatively with our customers at management level. In the implementation phase, we take over the design of an efficient solution for customer's specific challenges, manage the complete implementation process if need be, and also take over responsibility for the implementation.

Continuing to accompany our customers on their paths into the future with competent consulting and innovative solutions will remain a focus of ours in the future, we will make every effort to ensure this.

At this point, we would like to thank all of our customers and partners for the good and trusting teamwork in the past year and we are looking forward to continued successful and challenging teamwork.

Service portfolio and core sectors

Consulting for large IT departments in their projects for increasing efficiency has been a central core competence since the Company was founded. We focus on the following services for the optimisation of IT departments in large enterprises:

- **IT Governance & IT Cockpit**

The objective of our customers is to have efficient IT management in the entire enterprise. plenum designs management processes and committee structures, introduces them into the companies taking a moderating role, and provides organisational and technical instruments for IT management (IT Cockpit).

- **Global IT Sourcing**

Our customers are looking for cost-optimised solution for the acquisition of IT resources (personnel, processes, systems). plenum will develop an IT sourcing strategy for this, evaluate potential partners in Germany, India, or Eastern Europe and accompany the IT departments in preparing for this global, industrial software production.

Architecture Management
After years of abstaining from investing, our customers are once again investing in fundamental IT projects. But, what technology trends are stable? plenum evaluates the IT trends, develops system infrastructure and development architectures, introduces them in an exemplary way, and qualifies the clients IT staff in the new technologies.

IT Organisation & IT Processes
For our customers, IT efficiency mainly means optimisation of the IT processes and their supply chain and vertical integration. plenum designs the spin-offs into Group system houses, introduces new organisational principles (e.g. Change & Run), and optimises the IT processes based on reference models (e.g. ITIL, plenum Reference Model, CMM...).

Since 1986, plenum has provided organisational and technical solutions, which were frequently not only groundbreaking for the immediate customers. Here, being related to one specific industry sector doesn't play a decisive role, but the size and complexity of an IT department is relevant. Therefore, enterprises in almost all lines of business have made use of this competence in the past few years.

In addition, we offer our customers solutions that are orientated around the specific requirements of certain sectors. Banks, insurance companies and electricity utility companies have been among our most important customers since the Company's inception. We use the industry sector expertise that we have established over the years in order to help these companies to reposition themselves and to optimise their own structures during the structural changes currently taking place in their segments.

IT Strategy & Value Management
The goals of our customers are the optimisation and industrialisation of core processes through the efficient and strategic use of IT. Together, we develop business-orientated IT strategies, evaluate the efficiency of the IT department and accompany them in gradually optimising core processes to be market-relevant service companies.

Customer Relationship Management (CRM) & Business Intelligence
Systematic development of customer loyalty is the name of the objective here. For this purpose, plenum develops CRM strategies, manages their implementation through CRM scorecards, customer segmentation and value analyses, and supplies database marketing, data warehouse, as well as CRM system solutions.

Selected customers

Aachener und Münchener Versicherung
Allgemeine Kreditversicherung
Coface Holding AG
Allianz Konzern
Andreas Stihl AG
AXA Konzern AG
Bausparkasse Schwäbisch Hall/ VR Kreditwerk
Berufsgenossenschaften (Bau-, Metall-, Nahrung- und Gaststätten)
Bitburger Brauerei
bruno banani
DaimlerChrysler
Deutsche Leasing AG
Deutsche Lufthansa AG
Deutsche Post AG
EnBW Energie Baden-Württ. AG
ERGO Versicherungsgruppe
Felina GmbH
Flugh. Berlin-Schönefeld GmbH
Hapag-Lloyd
Container Linie GmbH
HypoVereinsbank Gruppe
Lactalis Gruppe
Landesbank Hessen-Thüringen
Maryan Beachwear
Novar GmbH
Sanetta GmbH
Stadtsparkasse München
The Timberland Worlds
Trading GmbH
T-Mobile International AG
Wella AG
WWK-Lebensversicherung a.G.

A further core competence is found in the development of communications solutions. Here, we mainly address the heads of our customers' marketing departments or the managers of e-business solutions. In particular, companies from consumer branches (brand name article manufacturers) and also numerous other companies have made use of our expertise in this subjects in the past few years.

e-business Solutions & Portals
e-business solutions are increasingly helping our customers to optimise their customer relationships and their core processes. For this purpose, plenum develops e-business strategies orientated around the business strategy and it designs, develops, and operates innovative e-business and portal solutions.

Interactive Marketing
The modern way to address customers is no longer "from one to many", but to convince them in a dialog with the customer. Our solutions for this form of "interactive marketing" are tools for use in the Internet, on mobile end devices, at the point of sale (POS), or through the promoter.

Cross-media Communications Solutions
Intelligent, integrated communications from a sole source – for our customers, that means the ideal combination of classical communications instruments, Internet, e-business, and public relations with the strategic background of a successful cross-media agency.

Organisation of plenum AG

We are strengthening our competitive edge – consulting and implementation – by means of further interlocking of the Consulting and Systems segments. Here, the focus is on comprehensive market development and know-how development. The plenum Communications division will operate more intensely as a network in the future in order to make more efficient use of the profiles and expertise of the individual locations in Düsseldorf, Cologne, and Herrenberg (Stuttgart). At the same time, the range of services and the ability to support customers will be pushed ahead by means of national and international cooperation.

A knowledge platform has been successfully developed over the last two years under the name plenum Institute. In 2005, it will encompass more than 68 seminars and 20 expert forums for the most important IT and organisation subjects. In the expert forums in 2004 alone, there were more than 200 decision makers from approximately 160 companies.
A knowledge hub is of inestimable value to all those involved. Here, experience is exchanged, analysed, and projected onto possible future scenarios. The dynamic development of information and communication technology requires such platforms for trusting exchanges and creative cooperation.

Employees

As in previous years in financial year 2004 our approximately 240 employees successfully implemented solutions to the questions and demands of our clients, this time for around 130 projects. They demonstrated an outstanding degree of technical and social competence with a high level of energy and great commitment. The quality of our employees' work and their behaviour vis-à-vis clients are crucial in the development of long-term, trusting relationships with clients, and thus the foundation of plenum's future success.

Training initiative 2004

A central goal for 2004 was the expansion of our human resources development programmes. One focus of these activities was the systematic further development of our employees' skills and thus also the quality of the services we offer. An important cornerstone was a training course leading to certification as a project manager according to the quality specifications of the german Association for Project Management (GPM Standard). The first training course comprised a total of 120 days of instruction for 10 employees, the majority of whom have already successfully passed the final examination. The positive feedback received from our employees – our clients also increasingly require proof of certification, which starts to be a crucial competitive factor – has prompted us to continue this training course in 2005.

2004 furthermore saw the introduction of a completely newly developed training programme for IT-Architects, based on the many years' of experience at the disposal of Michael Bauer, Chairman of our Supervisory Board and a well-known IT-Expert. The nine participants not only received a grounding in IT-Architecture / IT-Architecture-Management during the 10 workshop days: the results of the group's work were also used by the participants to design an experts' forum for our clients, thus making a significant contribution to the thematic development of the IT-Architecture-Division.

As well as the above our employees took advantage of approximately 25 further internal training courses covering a wide range of topics to expand their technical, personal and methodical competence. In total around 450 man-days were invested in inner-company training activities alone. A further increase in training days is planned for the year 2005.

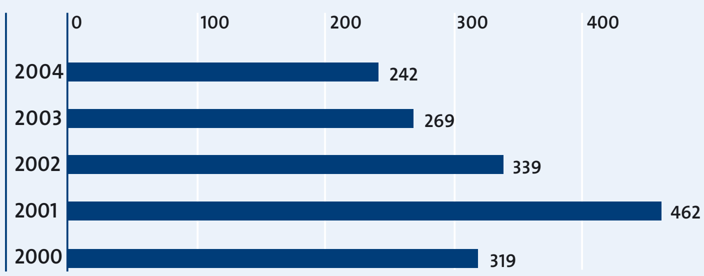
Data on employee structure

Gender distribution	
Female employees	43 %
Male employees	57 %

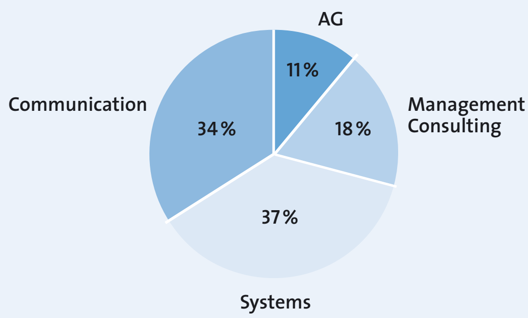
Age of distribution	
over 50	4 %
40–50	21 %
30–40	57 %
under 30	18 %

Length of employment	
one year or less	12 %
1–3 years	14 %
3–5 years	35 %
over 5 years	39 %

Employement trends



Employee distribution



plenum's Shares

At the beginning of the year, the capital market was characterised by sideways development. However, the prices dropped around the middle of the year below the level of the beginning of the year. Restrained investments, especially by institutional investors – primarily due to contradictory economic forecasts – had an effect mainly on technology shares until mid August. Only in the last weeks of the year did a more amicable trend emerge. The DAX, which had already stabilised during the course of the year, had exceeded the starting values at the beginning of the year by November and was able to finish the year with an increase of 6 %. Also at the beginning of 2005, this positive development continued. In the same time period, the TecDAX had losses of around 6 %, but it was almost able to compensate for the decline in the previous year by February 2005.

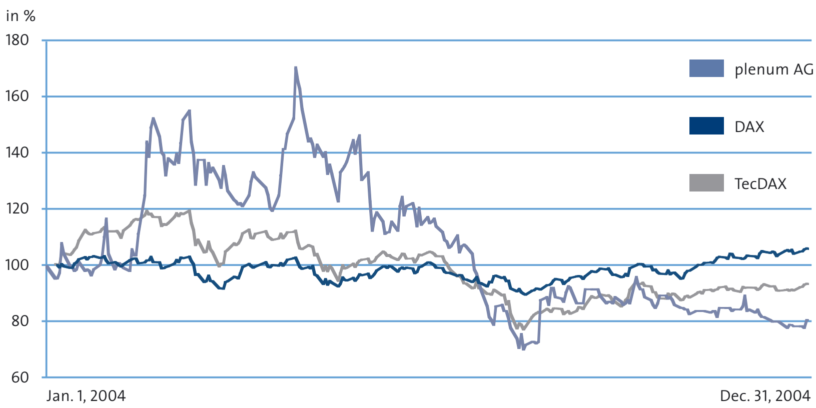
In contrast to this, the plenum share price developed well in the first months of 2004 and at its peak had price growth of more than 60 %. By the middle of May, it wasn't possible to maintain this level in spite of positive company news. The market development took its toll here as well. After the price was able to recover during the summer months from the weak phase of the capital market, the price continued in a stable sideways trend with considerably less volatility. The price development of the plenum share didn't follow the friendlier trend of the capital markets in the last weeks of 2004. Measured by the respective end-of-year prices, the share price dropped by approximately 20 % from the end of 2003 to the end of 2004.

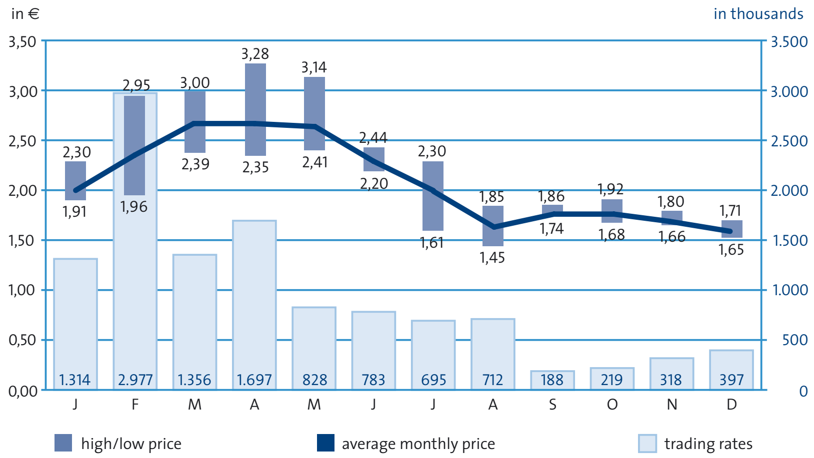
Fundamentally, the plenum share remained rather undervalued in spite of the good liquidity reserves and low liabilities. With market capitalisation of approximately Euro 15 million, the share was only valued at a fraction of the revenue at the end of 2004.

Our new designated sponsor supported us successfully in addressing new investors. We are expecting an additional impulse from being included in the GEX Index, which the German Stock Exchange has calculated and published since the beginning of January 2005. As a medium-size company index, the GEX is an indicator for the value development of owner-managed, medium-size companies on the stock market. It is supposed to complement the DAX family and help the companies included in the index to achieve more visibility in the capital market.

An overview of the shares and subscription rights held by the Company's executive bodies is listed in Note 27 of the financial statement included in this annual report.

Share price performance 2004 to 2005 (indexed)





Information and key figures on plenum's shares 2004

Trading Data	
ISIN	DE0006901002
Exchange symbol	PLE
Trading segment	Prime Standard, Frankfurt
Segment/ index association	Prime All Share, CDAX total, Tec All Share, GEX
Stock exchanges	All eight German stock exchanges plus Xetra
First trading day	August 3, 1998

Key figures	
Closing price (Dec. 31)	1,57 €
Market capitalization (Dec. 31)	15,05 Mio. €
High/low price 2004	3,28 € (April 27) / 1,45 € (Aug. 12)
Average trading rate	45.390 shares/day

Designated Sponsors
Seydler AG (since Aug. 01, 2004)
LB Baden-Württemberg (until Jan. 31, 2005)

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

Shareholder structure (Dec. 31)	
Management	41 %
Free Float	59 %

Supervisory Board Report

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

The Supervisory Board met with the Managing Board on five occasions in 2004 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 Managing Board dealt with current events on the telephone or in person, and the Supervisory Board passed written resolutions.

The Managing 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 2004, the Supervisory Board took note of plenum AG's and the consolidated 2003 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 net income from investments in the first quarter, as well as the preparations for the General Meeting. A further meeting was held to deal with personnel details relating to the Managing Board.

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 concerned the report for the third quarter and year-end business forecasts. Within a constructive discussion the Supervisory Board and the Managing Board focused on concepts and activities designed to place the company in a suitable position as well as measures to improve profitability.

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

Michael Bauer
Chairman

These documents as well as the Auditors' Report were submitted to the Supervisory Board. They were reviewed by the Supervisory Board and discussed in detail in the presence of the auditors. The Supervisory Board concurred with the auditors' findings and concluded its review with no objections. In its meeting on April 4, 2005, the Supervisory Board endorsed the 2004 consolidated financial statements and plenum AG's 2004 financial statements, thereby adopting them.

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

Wiesbaden, April 2005
The Supervisory Board

M. Bauer

Michael Bauer
Chairman

Corporate Governance Report

In 2002, after submission of the recommendations of the German Corporate Governance Code, the Management Board and Supervisory Board of plenum AG resolved to implement and comply with the body of rules of the code taking into consideration the size of the company and the structure of its administrative bodies. With it, plenum AG emphasised that management and control of the company that is responsible and orientated around long-term value creation has a very high priority.

On November 22, 2004, 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.

The German Corporate Governance Code regulates the following areas of corporate management and supervision:

- shareholders and the annual shareholders' meeting
- communication and transparency
- cooperation between the Management Board and Supervisory Board
- formation and compensation of the Management Board and Supervisory Board
- accounting and auditing

Shareholder rights & transparency

The shareholders of plenum AG provide capital to the Company and consequently also bear business risk. Therefore, the Management Board feels especially obligated to the shareholders and consequently ensures promptness and transparency in communication, systematic risk management, compliance with stock market rules, and observing the shareholders' rights, which are guaranteed in their entirety.

Taking into account the necessary equal treatment of all shareholders, corporate information – and particularly ad hoc disclosures, press releases and reports – is made available on the Internet. Here, plenum also publishes disclosures by shareholders about changes to voting rights as well as disclosures from members of the executive bodies on transactions with plenum shares. Shareholders are also informed about key dates via a financial calendar, which is published in the Company's Annual Report and on its website.

Management Board and Supervisory Board

plenum AG has defined the cooperation between the Management Board and Supervisory Board and their duties in the respective bylaws. Due to the stipulations of the Corporate Governance Code, the rules were revised, or in the case of the Supervisory Board in 2003, they were defined in a bylaw. Deviations from the

Code are based on the size of the Company or the structure or alternatively the size of the administrative bodies.

Thus, the Supervisory Board foregoes the formation of committees because of its size (three members). However, it is fundamentally possible to form committees according to the rules of the bylaws of the Supervisory Board. In addition, contrary to the suggestions made by the Code, the D&O (directors and officers) insurance policy for plenum AG's Management Board and Supervisory Board members don't 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 perform their duties.

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. The Supervisory Board of plenum AG still consists of three members and its chairman is the Company's co-founder, Michael Bauer. There were no conflicts of interest between members of the Management Board and 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, continues to provide support to the Company in the area of M&A and finance. More detailed specifications about the contracts and information about additional mandates held by Management Board and Supervisory Board members are presented in Note 22, or respectively at the end of the Financial Report.

Management Board and Supervisory Board: Compensation

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.

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 2004, compensation paid to members of the Management Board amounted to EUR 978 thousand. Variable remuneration was not paid out in 2004. No stock options were granted to Management Board members in 2004.

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 2004, the members of the Supervisory Board were granted compensation totalling EUR 35 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 developments in the form of quarterly reports. For cost reasons, plenum publishes its financial statement and interim reports in accordance with the legal requirement of 120 days and 60 days respectively.

Group Management Report

I. Market and industry development

Weak economy still not overcome

Similar to the previous year, there are still considerable regional differences in global economic growth. While the Asian region and the USA displayed robust growth, the eurozone, with growth of approximately 2% according preliminary estimates made by Eurostat, the Statistics Office of the European Communities, was considerably behind the world economy, which on the whole grew by 4%.

After a slight decline of the GDP in the previous year, economic development in Germany in 2004 according to statements by the German Federal Statistics Office was 1.6%, which was indeed somewhat friendlier, but compared to the rest of Europe, it remained below average. Still, growth is continuing to be slowed down by restrained private consumer demand. In addition, the leading economic research institutes view the economic weakness in Germany as being not yet overcome. Above all, the weak development in the second half of the year led to misgivings: After economic development stagnated in the third quarter compared to the prior quarter, the GDP dropped by 0.2% in the last three months, contrary to positive expectations.

Slight growth in the core sectors

The *Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.* (BITKOM) – the German Federal Association for Information Technology, Telecommunications, and New Media – reported market volume growth of 2.5% in 2004 to EUR 131.6 billion. After not having been able to achieve any improvement in 2003, the Association views this development as mainly being founded in a noticeable increase of replacement investments and future investments. A thematic focus of the demand was targeted at the use of new applications to control operating procedures and to increase efficiency.

For the first time in two years, the *Bundesverband Deutscher Unternehmensberater BDU e.V.* (German Association of Management Consultants) once again reported revenue growth in management consulting services. Total revenue increased by approximately 1% to EUR 12.3 billion (2003: EUR 12.2 billion), whereby this development was mainly attributable to the revitalization of demand for consulting projects for strategic positioning in the last two quarters.

According to the *Zentralverband der deutschen Werbewirtschaft* (German Advertising Federation), the German advertising industry grew slightly once again by approximately 1% (2003: –2.6%) to EUR 29.2 billion after falling for three years. However, the Federation pointed out that the “turn-around“ in the advertising market is still very reserved in view of the continued weak propensity to consume in private budgets.

Nielsen Media Research’s examination of advertising expenses by media classification showed a considerably differentiated picture. The gross advertising spending in classical media increased in 2004 by approximately 5.8% to EUR 18.2 billion. Along with it, there has been constant growth since April 2003. The advertising behaviour in the online sector showed first signs of turning around in 2004. While in the first six months, there was still a slight downward trend, in the fourth quarter of 2004, there was double-digit percentage growth for online advertising. In the online media classification in 2004, a total advertising turnover of EUR 308 million was established. This corresponds to an increase of approximately 4% compared to the previous year.

II. Business development 2004

Sales revenue and booked business

€ thousands	2004	2003
Booked business	39,957	33,490
Sales revenue	41,005	40,266

Booked business increased by 19.3 % compared to the previous year from TEUR 33,490 to TEUR 39,957. In spite of this positive development, booked business was still slightly below sales revenues. Therefore, the order backlog as of Dec. 31, 2004 dropped compared to the previous year by 9.8 % to TEUR 9,578. Sales revenue increased by 1.8 % across all industries and regions from TEUR 40,266 in 2003 to TEUR 41,005 in 2004. Both booked business and sales revenue benefited from the good development of the large Phoenics project. 44.5 % of booked business in the past financial year came from this project, compared to 30.2 % in the previous year. At the end of the past financial year, there were still orders in the books amounting to TEUR 4,968 from the large Phoenics project.

The share of revenue of the project in the past financial year was 41.6 % compared to 39.0 % in the previous year.

Of the TEUR 41,005 sales revenue in the past financial year, TEUR 575, i.e. 1.4 %, was outside Germany. The international revenue was mainly allocated over Austria with 36.9 %, Switzerland with 27.5 %, and France with 8.4 %. In the past year, 1.7 % of revenue, i.e. TEUR 672, was international and was comprised of 29.3 % in Austria, 37.7 % in Switzerland, and 5.4 % in France.

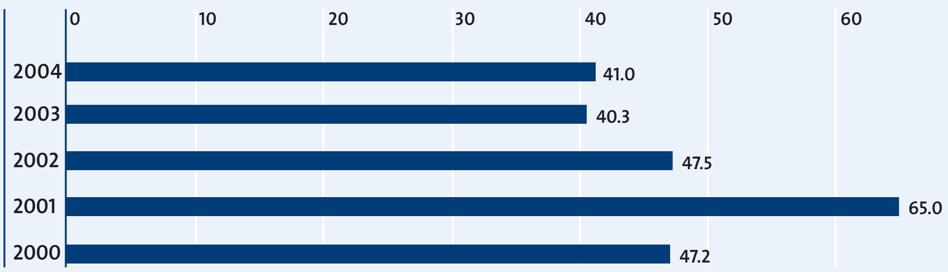
Sales revenue allocation by industries

	2004	2003
Insurance	56.9 %	51.5 %
Fashion and textiles	9.2 %	10.1 %
Banks	6.3 %	6.5 %
Logistics and utilities	4.6 %	9.1 %
Food & Beverage	3.1 %	0.4 %
Telekommunications	2.1 %	3.7 %
Automotive	1.3 %	4.2 %
Others	16.5 %	14.5 %

The industry sectors found in the sales revenues were dominated by insurance, as was the case in the previous year. Its share of revenue even increased from 51.5 % to 56.9 %. In the past financial year, the second-strongest sector was again fashion and textiles with a proportion of 9.2 % and practically unchanged compared to the previous year in which it accounted for 10.1 % of the sales revenue.

The third-strongest group in the previous year was logistics and utilities, which took fourth place. Here, right at the beginning of the past financial year, a number of major projects were completed, which were not planned to be continued. As a result, banks moved into third place with 6.3 % of the sales revenue compared to 6.5 % in the previous year. The development of business with food and beverage manufacturers is encouraging. Its proportion increased to 3.1 % compared to 0.4 % in the previous year. Sales revenues with customers in the telecommunications and automotive sectors clearly declined.

Sales revenue development (in € million)



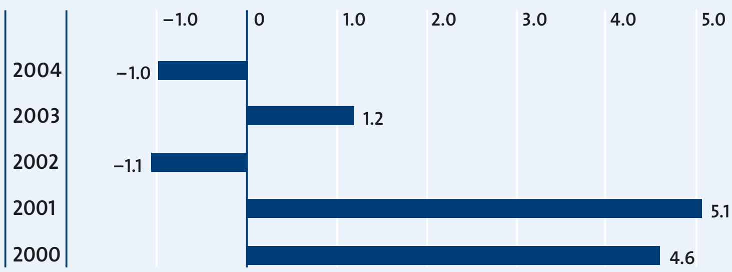
€ thousands	Booked business	Sales revenue	Order backlog	Lifespan of order backlog in months
Management Consulting	4,832	5,864	830	1.5
Systems	23,450	23,392	6,544	3.7
of which Phoenics	*17,791*	*17,042*	*4,968*	
Communication	11,675	11,749	2,204	2.5
	39,957	**41,005**	**9,578**	**3.0**

Net sales revenue (without inter-segment revenue) of the divisions increased slightly compared to the previous year. As was the case in the previous year, the greatest contribution to sales revenue came from the Systems segment, which accounted for TEUR 23,392 or 57 % of the Group's revenue. In the previous year, it was TEUR 23,544 and consequently 58.5 %. Here, as in the previous year, the Systems segment benefited from the good sales revenue development in the Phoenics project, which increased by 8.5 % compared to the previous year from TEUR 15,714 to TEUR 17,042. Booked business from the Systems segment increased from TEUR 15,943 in 2003 to TEUR 23,313 in 2004. At the end of the past financial year, Systems had an order backlog of TEUR 6,544. Based on the revenue in the fourth quarter of 2004, there was a lifespan of the order backlog of 3.7 months.

The second largest contribution to revenue came from the Communication segment, which was also the case in the previous financial year. It amounted to TEUR 11,749 or 28.7 % of sales revenues. In financial year 2003, it achieved revenue of TEUR 11,131 and consequently 27.6 % of the Group's revenue. The sales revenue increase of the Communication segment of 5.5 % compared to the previous year, essentially resulted from the increased media advertising by our customers (from TEUR 1,071 in 2003 to TEUR 1,922 in 2004). The Communication segment had a backlog amounting to TEUR 2,204 at the end of the financial year. Based on the revenues in the fourth quarter of 2004, this backlog will be worked off in 2.5 months.

The Management Consulting segment made the smallest contribution to revenue. At TEUR 5,864, its proportion of the Group's sales revenue remained almost unchanged compared to the previous year at 14.3 %. The Management Consulting segment provided a large portion of its services in projects in the other segments, as was the case in the previous year. Revenue with other segments in the Group amounted to TEUR 1,409 compared to TEUR 1,930 in the previous year. That was 19.4 % of the gross revenue of the segment (previous year: 25.7 %). At the end of the financial year, Management Consulting had an order backlog amounting to TEUR 830, which had a mean lifespan of 1.5 months.

EBITDA development (in € million)



Gross profit on revenue

€ thousands	2004	2003
Gross profit	5,800	6,628
of revenue in %	14.1 %	16.5 %

The gross profit decreased compared to the previous year by an absolute value of TEUR 828 to TEUR 5,800 and from 16.5 % to 14.1 % as a percentage of revenue. The drop in gross profit is attributable to the fact that sales revenues have been dominated by business with external services to a greater degree than in the previous year. Consequently, external services in the revenues increased from TEUR 15,249 in the previous year to TEUR 18,127 in the past financial year. The increase was mainly found in the Phoenics project and in the media business of the Communication segment. As a result, the value creation of the company fell by TEUR 2,139 to TEUR 22,878 compared to the previous year, or alternatively 55.8 % of revenue (previous year: 62.1 % of revenue).

Sales and marketing expenses, general and administration expenses

€ thousands	2004	2003
Sales and marketing expenses	5,320	5,133
of revenue in %	13.0 %	12.7 %
General and administration expenses	2,534	2,778
of revenue in %	6.2 %	6.9 %

In the past financial year, the sales and marketing expenses increased by 3.6 % compared to the previous year, from TEUR 5,133 to TEUR 5,320. In the past financial year, expenses for individual valuation allowances to receivables as well as the receivable losses were assigned for the first time to the sales and marketing expenses. The information from the previous year was changed accordingly. The sum total of receivable losses and individual valuation allowances to receivables dropped from TEUR 838 in the previous year to TEUR 226 in the past financial year. The receivable losses alone amounted to TEUR 62 and were consequently 90.1 % below the previous year's value of TEUR 629. The general and administration expenses amounting to TEUR 2,534 turned out to be 8.8 % lower in the past financial year than in the previous year in which they amounted to TEUR 2,778. The reason for this is the continuing restrictive dealings with the general costs budgets and also the slightly increased utilization compared to the previous year.

Research and Development

€ thousands	2004	2003
Research and Development costs	254	208
of revenue in %	0.5 %	0.6 %

In the past financial year, plenum invested TEUR 254 in the development of new services, which is 22.1 % more than in the previous year. The research and development costs in the previous year amounted to TEUR 208. As a percentage of revenue, the research and development costs increased from 0.5 % to 0.6 %.

Other operating income and expenses

€ thousands	2004	2003
Other operating income and expenses	464	1.619
of revenue in %	1.1 %	4.0 %

The balance of other operating income and expenses fell considerably in the financial year by TEUR 1,155 to TEUR 464. Consequently, it only amounted to 1.1 % of revenue compared to 4.0 % in the previous year. The reason for the considerable drop was essentially due to the income from releasing provisions that were no longer necessary and from the reduction of the individual valuation allowances on receivables, which dropped compared to the previous year from TEUR 1,466 to TEUR 402, which was 72.6 %.

Financial results, taxes, and discontinued operations

€ thousands	2004	2003
Financial result	139	213
Income taxes	67	–162
Results from discontinued operations after taxes	–14	–15

The financial result was reduced by TEUR 74 to TEUR 139 compared to the previous year. One of the reasons for this was the lower interest on fixed-term deposit and money market accounts which was only 1.8 % compared to 2.2 % in the previous year. Another reason was related to the lower average reserves of cash and cash equivalents.

In the past financial year, tax income was realized that was essentially from deferred taxes. As a result, the effective tax rate on profits in the Group was 3.9 % compared to 43.7 %. Any current deferred tax items for existing losses carried forward have already been value adjusted to the full amount as was the case in past financial years.
The expenses from discontinued activities originated in discontinuing the Channelling business unit in the Communication segment and the related shutdown of the Berlin location.

Group net result, earnings per share

Due to the considerably lower group net result compared to the previous year, the earnings per share was Euro –0.17.

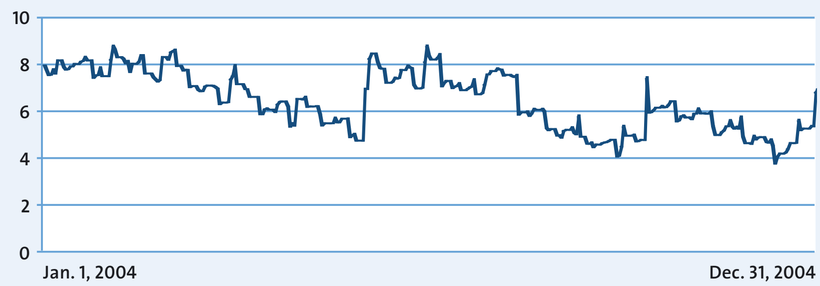
Cash flow

€ thousands	2004	2003
Movements of cash and cash equivalents	–1,471	–5,202

The cash flow in the Group decreased considerably compared to the previous year. The improvement of the cash flow from operating activities made a considerable contribution to this. It decreased by 77.5 % compared to the previous year's value from TEUR –4,670 to TEUR 1,053. At TEUR –310, cash flow from investments was considerably lower than the previous year's value of TEUR –439. At TEUR –108, cash flow from financing activities was approximately at the same level as the previous year.

The graph shown below shows the development of the reserves of cash and cash equivalents during the course of financial year 2004.

Development of cash and cash equivalents in 2004 (in € million)



III. Segment development

The Group assessment rates for central services, which are re-established each year, will burden the segment results by a total of Euro 0.5 million more than in the prior year due to direct assignment to the divisions. The group-wide costs will be relieved accordingly.

plenum Management Consulting

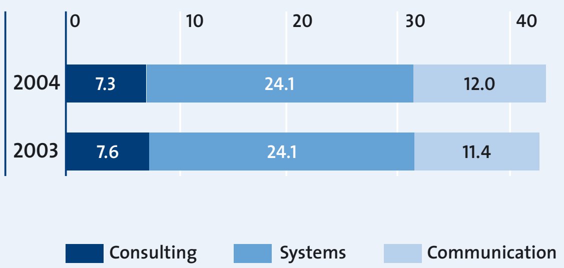
The gross sales revenues of plenum Management Consulting dropped slightly in financial year 2004 from TEUR 7,521 to TEUR 7,273. With this, the gross sales revenues are 3.3 % below the value of the previous year. The proportion of consulting in the total gross sales revenues was 16.8 % compared to only 17.5% in the previous year. In spite of the only slight drop in revenue, the internal operating profit (IOP) sank disproportionately from TEUR 621 in the previous year to TEUR –3, because in 2004, the value added deteriorated by approximately EUR 0.4 million.

After having IT cost reductions as the dominant theme for consulting services in the previous years, the focal point of plenum Management Consulting in 2004 shifted more towards innovations and organisational measures. Under the term „IT Business Realignment“, the orientation of the IT strategy and IT organisation around current business requirements and the preparation for future challenges was more in the foreground. Many well-known insurance companies and financial service providers hired Management Consulting in 2004 to develop and implement their IT strategies. Here, the primary objective, besides the guaranteed future of investments, was mainly the verification of possible uses of standard software systems and the repercussions of planned investments in e-business activities.

In particular in the last few months of financial year 2004, an increasing interest in consulting services for process improvements in IT organisation became clear. Increasing service quality and further improving efficiency were commissioned by our customers as well as themes such as models for making working hours more flexible. Due to our long-standing experience in these types of jobs, our customers not only trusted our conceptual expertise, but they also made more intense use of consultants in this context for programme planning and controlling activities as well as implementation controlling.

Another important subject in this environment is the preparation of existing IT structures for new organisation models. The future of IT and in particular software development in large companies is found in industrial, globally organised production structures. With the “Global Sourcing” approach, plenum opened up economical and high-quality perspectives for software procurement to its customers. The awarding of numerous consulting orders for this subject matter and a first joint project with our strategic partner Polaris (5000 software developers in India) for a large leasing company emphasised the growing significance of these types of issues.

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



A clear increase of investments in 2004 was also recognisable in the areas of customer communication and management of customer relationships. The consulting orders from almost all customer sectors included a wide range of subjects concerning this issue. The tasks ranged from developing the foundation and strategic guidelines for customer relationship management (CRM) and selecting and implementing email response management systems, right up to increasing the efficiency and transparency of email communication with customers through organisational measures.

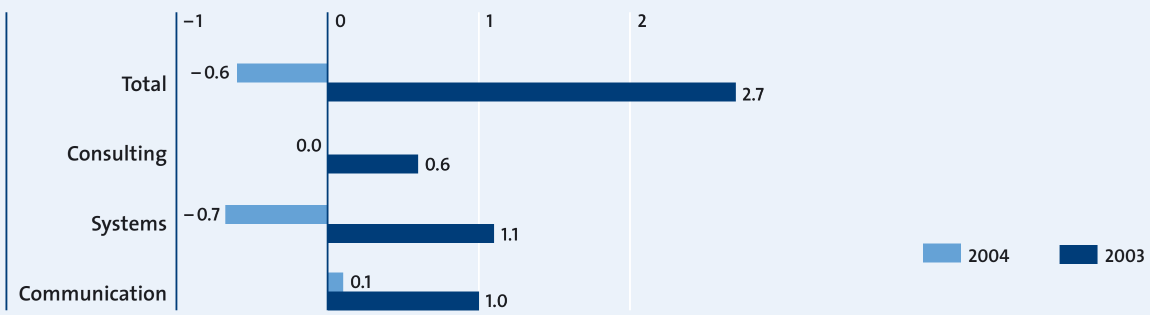
plenum Systems

With gross sales revenues of TEUR 24,124, plenum Systems generated the most revenue in the Group once again in financial year 2004 (55.6 % of gross revenue). With it, the gross sales revenues remained at the same level as 2003 (TEUR 24,105). Due to the Phoenics project and the generally lower utilisation, the internal operating profit (IOP) dropped in comparison to the previous year from TEUR 1,054 to TEUR – 738.

For plenum Systems, financial year 2004 was decisively marked by the project progress of the BG Phoenics software. In this project, plenum Systems emphasises both its technological innovative power as well as its implementation strengths. The system, which was developed with the most modern methods and techniques (Java Framework), is among one of the largest, newly developed software products in Germany. The development team, which was managed by plenum as the general contractor, included up to 120 software developers including approximately 40 plenum employees. Mastering the technological complexity and controlling the entire software development process were the emphases of tasks given to plenum. In its final stage, the system will be used in the future by the involved professional associations by approximately 6000 users. The workflow-controlled, documentation-centric system supports administrative staff in processing the typical business cases of a professional association. All together, in the future, a total of 40 million data records from approximately ten million insured parties are to be managed.

Orders to the amount of approximately Euro 5 million have already been awarded to plenum systems for the further development and maintenance of the application system in 2005. Besides development services, plenum will also take over the job of resource manager for approximately 30 of plenum's own resources and for subcontractors.

Segment result development – IOP (in € million)



The continuation of ongoing projects was also of major importance in 2004.
After running for more than 15 months, an insurance group hired plenum System to continue its business intelligence project. In the first phase, the foundation for the system was realised with the development and pilot testing of the data model. At the end of this, the system was used to generate first relevant reports for Group management and to visualise them with the help of additional tools. This included, for example, customer and sales information or product information. Currently, plenum Systems is developing an expansion concept to make the system useable in the entire Group for other departments and issues.

plenum Systems also successfully continued the cooperation with an international logistic group. Now that the setup of the portal infrastructure and the introduction of a content management system have already been successfully supported, plenum is also involved in the development activities for the strategic services products via the portal platform.

After having the previous year mainly characterised by orders for maintaining and servicing existing old systems against the background of budget constraints, there is now a clearly recognisable change in demand behaviour, above all in the last few months of 2004. Numerous companies across all industry sectors have hired plenum Systems to assess their existing system architectures and to develop a sustainable IT strategy. Here, the main drivers for converting the existing technically-orientated system landscapes into modern service-orientated enterprise architectures are mainly the business requirements of the departments. Besides the integration and optimisation of old systems, the customer's main objectives are to have a modular and consequently flexible architecture and a high speed of implementation. In these consulting-intensive tasks, plenum supports its customers on one hand with technological, innovative competence and on the other hand, it also secures the ability to implement and achieve the new architecture through its experience in implementation projects.

plenum Communication

With gross sales revenues of TEUR 11,988, plenum Communication was TEUR 11,988 above the revenue level of the previous year of TEUR 11,433. With it, Communication's contribution to the Group's gross sales revenue increased to 27.6 % compared to 26.6 % in the previous year. The revenue increase was mainly found in a considerably increased volume of media advertising in the classical communication sector. The internal operating profit (IOP) of TEUR 115 dropped by TEUR 918 compared to the previous year. The declining results are caused, among other things, by the fact that the positive effect on the results from the previous year through releasing risk provisions no longer occurred.

Economic problems and above all the resulting weak propensity to consume in private budgets has characterised the market for communication services in the past few years. After declining for three years, the segment experienced slight growth again for the first time in 2004. The development in the past year, however, has led to a far-reaching change to the requirements for communication services. In this environment, plenum Communication was able to position itself at a good 25th place in the current ranking of the 50 largest advertising agencies. In New Media Service Ranking, the Company was also able to assert itself very well, taking 25th place in a field of a total of 209 online agencies, following 22nd place in the previous year.

It is true that the readiness to invest in online communication improved noticeably in 2004. However, compared to the euphoric visions of just a few years ago, the focus is now on investments in realistic e-business potential. E-business activities are no longer "island projects". They must be smoothly integrated into complex inner and intra-company process chains and generate clear added value for the company's core business. In competition with other forms of communication, projects that focus on customer communication not only have to prove their worth, but they also have to show their communication effect on the consumer side in an comprehensible and measurable way. Creative design concepts, high quality and flexibility in the technical implementation, and increased cost-benefit awareness on the customer side are the requirements placed on plenum Communication's services.

In financial year 2004, mainly in the first six months, business expansion with longstanding plenum Communication customers was very successful. Well-known customers such as Bitburger, Henkel, Stihl, or T-Mobile trust the communication expertise and the technical know-how of the agency. The tasks range from developing a marketing portal for the market launch of a new product, a platform for controlling worldwide marketing and communications activities, and right up to developing and designing target group specific, special subjects for the client. In addition, in the last few weeks of 2004, there was a considerable and noticeable increase in project inquiries. Above all, business with new customers has been revived.

In the area of classical communication, the agency's positioning with intelligent, cost-optimised solutions paid off. Above all, the ability to bundle different media into the market communication and to match them to each other is being perceived as a competition differentiating factor in the market more and more. Numerous successes in winning over new customers confirm this trend. Above all in the food and beverage sector, this service from plenum Communication is experiencing high demand. Many internationally operating German manufacturers have ordered comprehensive marketing activities. The French cheese manufacturer Lactalis, known for the brands Président and Roquefort Société, among others, is being supported by plenum with integrated communications measures for expanding its activities in the German market.

However, long-standing customers continued to place their trust in the comprehensive communications expertise of plenum Communication in 2004. Novar, the market leader in the security systems sector in the European market was accompanied by plenum in the reorientation of their marketing for expansion into international markets. A communicative milestone in 2004 was the successful introduction of an innovation prize for building security and comfort. plenum supported this by developing an Internet presence and with extensive PR activities. This successful cooperation will also be continued in 2005.

IV. Asset and Financial Position

The reserves of cash and cash equivalents decreased by TEUR 1,471 to TEUR 6,632 towards the end of financial year 2004, essentially due to project-dependent methods of payment and target dates. This led – especially conditional on large projects – to an increase of receivables of TEUR 2,369 to TEUR 9,323. The drop in net liquidity (liquid assets minus current bank liabilities and advance payments received) to TEUR 6,434 (2003: TEUR 7,351) was less than the decline of the liquid assets, because the advance payments received of TEUR 180 also dropped considerably compared to the previous year's value of TEUR 642. Furthermore, the project-dependent methods of payment and target dates led to an increase of receivables of TEUR 197 to TEUR 1,863 and an increase of current provision of TEUR 673 for outstanding invoices.

There are sufficient liquid assets to finance continued operations. The prepaid expenses and other current assets dropped by TEUR 907 to TEUR 311. The reason for this reduction is essentially attributable to the drop in income tax and sales tax liabilities.

The Group's investment activities are still reserved. Investments in software and property, plant and equipment amounting to TEUR 351 even dropped by TEUR 105 or 23.0 % compared to the previous year. Essentially replacement investments were made. The single largest project amounting to TEUR 93 was for renewing the hosting centre of the Communication segment and its move from Cologne to Düsseldorf. The investment intensity (fixed assets compared to total assets) decreased from 16.9 % to 15.3 % due to the low investment activity and conditional on depreciation. Besides the necessary replacement investments, there will be an investment in 2005 for the further expansion and move of the hosting centre from Herrenberg to Düsseldorf. This way, the hosting centre of the Communication segment will be brought together in one location in Germany.

Personnel and sales tax liabilities essentially contributed to increasing the other current liabilities. 71 % of the total current liabilities are covered by liquid assets (2003: 96 %).

The non-current liabilities only changed insignificantly compared to the previous year by TEUR 126 to TEUR 1,638. The change is attributable to the adaptation of the pension provisions and the adaptation of the non-current provisions due to existing warrantee obligations to customers from completed project contracts.

The equity ratio dropped compared to the previous year from 50.0 % to 43.1 % and is consequently still at a high level. The reduction of the equity ratio resulted from reducing the equity capital by the consolidated losses of TEUR 1,653 to TEUR 8,321. The Group equity capital is therefore TEUR 1,256 lower than the share capital. The long-term financial position (the ratio of non-current assets to non-current capital) remained unchanged at 0.3 compared to the previous year. The current financial position (the ratio of current assets to current capital) dropped slightly from 2.0 in financial year 2003 to 1.7 now, and still remained above the 2002 value of 1.5.

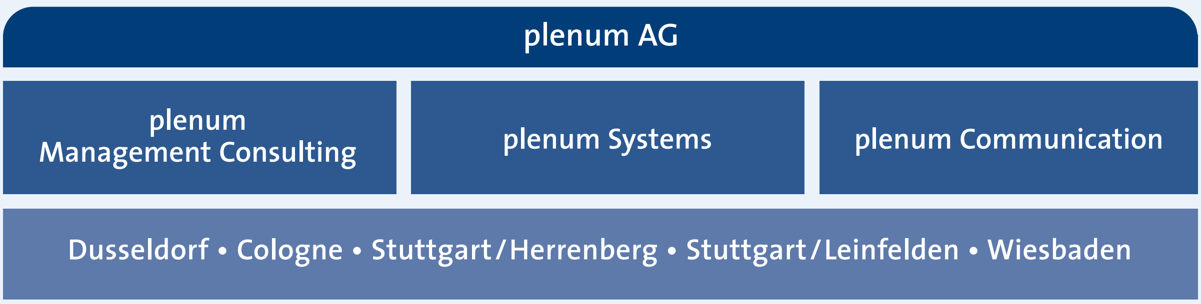
V. plenum AG

As the 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 Communication GmbH and plenum Systems GmbH. plenum 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 reserves of liquid assets of plenum AG, which are almost the same level as the reserves in the Group, dropped by TEUR 1,439 to TEUR 6,630.

The business development, position, and risks of the parent company largely match those of the Group.

In the past financial year, plenum AG offset a loss of TEUR 609 from plenum Management Consulting GmbH, a loss of TEUR 479 from plenum Systems GmbH, and a loss of TEUR 182 from plenum Communication GmbH (last year still called plenum stoll & fischbach Communication GmbH). Consequently the offset loss from the three subsidiaries was a total of TEUR 1,270. In the previous year, a profit totalling TEUR 742 was earned. Nevertheless, plenum AG had a loss in the previous financial year due to the amount of the losses to be offset. The economic value of the book value of the affiliates in plenum AG's balance sheet amounting to TEUR 1,767 is given in case that the results of the specified companies permanently return to the positive range. The plans for 2005 and the medium-term plans assume this and continued positive development.

As a result of the net loss for the year, the accumulated deficit in the individual financial statement of plenum AG increased to TEUR 2,384. As a result, the equity capital was reduced compared to the previous year to TEUR 8,182. Since there is no capital to be paid out, no profit appropriation recommendation will be prepared.



Organizational structure of the plenum group as of March, 2005

The organisational integration of the three affiliated companies into plenum AG is emphasised by the personnel union of the management with the executive board of plenum AG.

On January 2, 2004, Bernhard Achter resigned from the Executive Board of plenum AG. After his resignation, his scope of duties was redistributed within the Executive Board. The sales department was taken over by the CEO, Hartmut Skubch. The plenum Systems department was taken over by Klaus Gröne, member of the Executive Board of plenum for Management consulting and personnel. At the same time in January 2004, Klaus Gröne was appointed Managing Director of plenum Systems GmbH. During the further course of the financial year, personnel management was removed from the Personnel department, integrated in the administration functions and made the responsibility of CEO Hartmut Skubch.

VI. Employees

The number of employees in the plenum Group was 242 as of December 31, 2004. In the last quarter of the past financial year, the workforce was reduced by 6.2 % (Sept. 30, 2004: 258 employees). Compared to the status at the end of the previous year of 269 employees, this makes a total reduction of 10 %. On the average, 256 employees were employed in the past financial year (2003: 309 employees). The fluctuation increased in the second six months of the past financial year, however at 13.3 %, it was considerably lower than the level of the previous year (22.2 %). Personnel expenses in financial year 2004 dropped by 4.6 % compared to the previous year to TEUR 18,208. The personnel cost ratio in proportion to revenue dropped to 44.4 % compared to the previous year's value of 47.4 %. The personnel expenses per employee increased on the average from TEUR 62 in the previous year to TEUR 71 in 2004. The reason for this is essentially the increase in variable salaries, which turned out considerably lower in the previous year due to management and some of the employees waiving them.

The commitment and competence of the employees and management are decisive success factors for the future development of plenum. Expansion of the internal advanced education programme and systematic manager development were consistently pursued in the past financial year. plenum invested TEUR 202 in these activities following TEUR 53 in the previous year.

VII. Corporate Governance

On November 22, 2004, the Executive 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.

VIII. Risk report

A detailed planning and monitoring process coupled with systematic risk management enable plenum to identify business opportunities and limit risks. Risk management is an integral part of business processes and corporate decisions. The entire Executive Board bears direct responsibility for the early identification and monitoring of risks. Operational risks are managed primarily by the finance department of plenum AG and the affiliated companies.

In addition to monthly reporting by the subsidiaries regarding existing and foreseeable risks, the risk management is supported by extensive reporting and controlling structures and by central cash management at the Group level. Here, risks are recorded in particular from price changes, breakdowns, and liquidity as well as risks from cash flow fluctuations. The risk monitoring also covers the planning, execution and success checks of suitable countermeasures.

Risk management is continuously further developed and adapted to the current requirements.

plenum's activities expose it to typical business risks such as declines in demand and credit risks, for example. For existing credit risks, appropriate accounting provisions have been made to the extent that they are likely to occur. However, the Company in general has a relatively low level of risk in these areas due to its broad customer base. Development in financial year 2004 was considerably more positive than in 2003. Valuation allowances amounting to TEUR 165 were set up for anticipated bad debts (2003: TEUR 209).

In spite of the unchanged dependence on one large customer, whose share of revenue increased from 39.0 % in the previous year to 41.6 %, the share of revenue of the largest ten customers dropped by approximately three percent to 66.4 %. The dependency on the large customer is still a particular risk for the Group. Losing this customer without substitution would not endanger the existence of plenum, in the estimation of management. However, due to the resulting deteriorated relation between revenue costs and the general and administration costs, the Group's earning power would be reduced considerably. Furthermore, the idle-time costs that would inevitably result from losing the customer would be a great burden on the Group's net income, at least temporarily. In order to reduce this risk, corporate management continued to reduce the Group's vertical integration and the administration costs ratio in financial year 2004. The reduction of the vertical integration is seen clearly in the lowered personnel cost ratio (44.4 % in 2004 compared to 47.4 % in the previous year) and the increased external services ratio (44.2 % in 2004 compared to 42.8 % in the previous year). In the process, the dependence on implementation partners was limited to a great extent through systematic control and long-standing experience in project management. The administration cost ratio sank to 6.2 % in 2004 compared to 6.9 % in the previous year. By the beginning of financial year 2005, outstanding orders from the large customer had already secured the utilisation of all employees that plenum is using for the customer until the middle of the year. Due to the large project business, there is

also a segment-related dependence on individual large customers. In Management Consulting in the past financial year, 33.1 % (2003: 31.9 %) of the gross revenue (without revenues from other companies in the Group) was accounted for by the largest customers. In Systems, it was 72.9 % (2003: 66.7 %), and 15.3 % (2003: 9.5 %) in Communication. In 2004, Consulting made 81.9 % of the gross sales revenue with the ten largest customers compared to 76.4 % in the previous year. For Systems, it was 94.3 % (2003: 94.1 %), and 59.4 % (2003: 63.5 %) in Communication.

In the estimation of management, in 2005, the extent of the volume of services to be provided within the scope of contracts for Specified Services (Werkverträge) will drop considerably once again. plenum countered the remaining risks by the composition of the contracts, by qualified project management, and detailed project controlling.

Due to the deterioration of the economic conditions, plenum was partly subject to strong price pressure in competition. 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 still also focused on maintaining its financial independence, to a great extent. 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.

In order to counter the risk of losing key staff, corporate management published a programme for key personnel, who are to become more closely tied to the Company above all through the short-term and long-term effects of financial incentive models.

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, due to the survey of the risks, the estimation of the likelihood of them occurring, and the appraisal of the effectiveness of countermeasures, the corporate management is of the opinion that there are no identifiable risks that could pose a threat to the future existence of plenum AG and its subsidiaries.

IX. Outlook

Economy prospects

After a surprising dent in growth in the 4th quarter, the majority of economic research institutes have lowered their forecasts for 2005. In the opinion of the experts, the expected increase of the gross domestic product for 2005 will be between 0.8 % and 1.3 %. Only the federal government is sticking to its forecast of 1.6 %.

The estimate that was submitted by the German Federal Association for Information Technology (BITKOM) at the end of November assumes a more amiable development of the economy in its forecast for 2005 and expects growth of 3.4 % to Euro 136 billion for the German ITC market.

The expectations of the German Advertising Industry (ZAW) submitted in January were also positive. According to statements from the ZAW, a continued increase of the volume of advertising of approximately 2 % is to be expected in the year 2005.

The forecast of the German Association of Management Consultants (BDU), submitted in mid February, expects an increase of 3 % in the consulting market, based on a more favourable investment climate. According to the Association's estimate, as of mid 2005, IT consultants with strategic and process-related consulting in particular will benefit disproportionately from the growth. Since in 2004, it was mainly consulting for strategic positioning that was being demanded of the Company, the need for services to implement these strategic measures and to adapt organisational structures will increase in 2005.

Focus on consulting-intensive services

Against this background, in financial year 2005, plenum AG will concentrate its range of services even more intensely on services that requires intensive consulting as well as on the management and design of the technical and organisational implementation in order to withdraw from the ongoing price war for "pure" programming. Therefore, key subjects with high strategic importance to our customers are data warehouse solutions, CRM strategies (Customer Relationship Management), and their implementation, or e-commerce and portal solutions. Here, the consulting and management competence as an onsite partner will be systematically further developed in order to be able to perform them efficiently in our collaboration with Polaris. Closer organisational and personnel interlocking of the systems and consulting business units that is related to this positioning had already been initiated at the end of 2004 and will be completely implemented during the course of the financial year.
By focussing on consulting-intensive services in the IT business, the Executive Board of plenum AG is expecting a considerable increase of value added in 2005 (percentage of revenue of own business). We intentionally decided against pure implementation business with a high percentage of external services to the detriment of the turnover development in order to extensively avoid the ongoing price pressure in this context. Therefore, from today's perspective, we are expecting a considerable drop in turnover with an increase in value added in 2005 on the whole. Consequently, the results will improve considerably with the existing cost structure.

Since the special effects from a large project of the dimensions of Phoenics are not to be expected in 2005, the earning power of the company from operational business will most likely increase considerably.

X. Events after the balance sheet date

At the end of January 2005, plenum system's Frankfurt location with its 15 employees was moved to Wiesbaden.

Consolidated Financial Statements

Consolidated Income Statement

€ thousands	Note	2004	2003*
Sales revenues		41,005	40,266
Cost of revenues		–35,205	–33,638
Gross profit		**5,800**	**6,628**
Selling and marketing expenses		–5,320	–5,133
General and administrative expenses		–2,534	–2,778
Research and development costs		–254	–208
Other operating income and expenses	6	463	1,619
Operating result		**–1,845**	**128**
Financial result	7	139	213
Result from continuing operations before income taxes and extraordinary items		**–1,706**	**341**
Income taxes	8	67	–162
Extraordinary items, net of tax	9	0	45
Loss from discontinued operations	9	–14	–15
Net loss (prior year: net income)		**–1,653**	**209**
Earnings per share (in €, diluted and undiluted)	10		
from continuing operations and before extraordinary items		–0.17	0.02
from continuing operations		–0.17	0.02
Net income per share		–0.17	0.02
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

* Individual amounts have been reclassiefied; see text number 6 in the appendix.

Consolidated Balance Sheet

Assets € thousands	Note	Dec. 31, 2004	Dec. 31, 2003
Cash and cash equivalents	14	**6,632**	8,103
Trade accounts receivable	13	**9,323**	6,954
Inventories	12	**81**	285
Prepaid expenses and other current assets	13	**311**	1,218
Total current assets		**16,347**	**16,560**
Property, plant and equipment	11	**1,266**	1,565
Intangible assets	11	**445**	619
Financial assets	11	**118**	112
Loans	11	**1,107**	1,057
Deferred tax assets	8	**27**	7
Total non-current assets		**2,963**	**3,360**
Total assets		**19,310**	**19,920**

Liabilities and stockholders' equity € thousands	Note	Dec. 31, 2004	Dec. 31, 2003
Short-term debt and current portion of long-term debt	18	**18**	110
Trade accounts payable	18	**1,863**	1,666
Advance payments received	18	**180**	642
Current accrued expenses	17	**6,186**	5,315
Deferred tax liabilities	8	**29**	102
Other current liabilities	18	**1,075**	599
Total current liabilities		**9,351**	**8,434**
Long-term debt (less current portion)	18	**62**	78
Non-current provisions	17	**855**	765
Pension provisions	16	**721**	669
Total non-current liabilities		**1,638**	**1,512**
Capital stock	15	**9,577**	9,577
Additional paid-in capital		**14,151**	14,151
Treasury stock	15	**–83**	–83
Accumulated deficit		**–15,324**	–13,671
Total stockholders' equity		**8,321**	**9,974**
Total liabilities and stockholders' equity		**19,310**	**19,920**

Consolidated Cash Flow Statement

€ thousands	2004	2003
Group net results	–1,653	209
Reconciliation of cash flows from operating activities:		
Depreciation and amortization	796	1,108
Losses from the disposal of intangible assets and property, plant and equipment	–12	57
Losses / Proceeds from the disposal of investments	0	1
Other non-cash expenditures and income	–56	–56
Changes in assets & liabilities:		
Change in inventories	205	–273
Change in receivables	–2,369	–1,012
Change in prepaid expenses and other current assets	906	149
Change in trade accounts payables	197	368
Change in other liabilities	14	–2,170
Change in accrued expenses	1,013	–3,071
Change in other assets and liabilities	–94	20
Cash flows used for operating activities	**–1,053**	**–4,670**
Proceeds from the disposal of intangible assets and property, plant and equipment	41	17
Payments for purchase of intangible assets and property, plant and equipment	–351	–456
Cash flows used for investing activities	**–310**	**–439**
Repayment of loans	–108	–93
Cash flows used for financing activities	**–108**	**–93**
Movement in cash and cash equivalents	**–1,471**	**–5,202**
Cash and cash equivalents at the beginning of period	8,103	13,305
Cash and cash equivalents at the end of the period	6,632	8,103

Net inflows from interest: TEUR 84 (2003: TEUR 169)

Net outflows from income tax payments: TEUR 87 (2003: cash inflows of TEUR 575)

Statement of Changes in Stockholders' Equity

€ thousands	Number of Shares in thous.	Net income/ Net loss	Capital stock	Additional paid-in capital	Treasury stock	Other Comprehensive Income	Accumulated deficit	Total stockholders' equity
January 1, 2003	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
Net loss		–1,653					–1,653	–1,653
December 31, 2004	9,577		9,577	14,151	–83	0	–15,324	8,321

Segment Information

€ thousands		Consulting	Systems	Communication	Total
Net sales	CY	5,864	23,392	11,749	41,005
	PY	5,591	23,544	11,131	40,266
Internal sales [1]	CY	1,409	732	239	2,380
	PY	1,930	561	302	2,793
Gross sales	CY	7,273	24,124	11,988	43,385
	PY	7,521	24,105	11,433	43,059
Internal operating profit (IOP) [2]	CY	–3	–738	115	–626
		0%	–3%	1%	–1%
	PY	621	1,054	1,033	2,708
		8%	4%	9%	6%
Segment assets [2]	CY	1,162	7,409	2,593	11,164
	PY	1,503	5,917	3,904	11,324

CY = current year, PY = previous year

[1] Revenues from intragroup transactions

[2] Reconcilation to Group net results and Group assets under note 22

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.

It was decided to make use of the provision in Sec. 264 Para. 3 of the German commercial code (HGB) for plenum Management Consulting GmbH, Wiesbaden, plenum Systems GmbH, Wiesbaden, and plenum Communication GmbH, Herrenberg, (formerly plenum stoll & fischbach Communication GmbH, Herrenberg) for financial year 2004.

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 number of affiliated companies of plenum AG remained unchanged at three. An overview of all affiliated companies and other associated companies at the balance sheet date is 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. The incedental expenses of acquisition are recorded with an impact on result. 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 result. Deferred taxes are recognized on consilidation 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 and financial obligations as of the balance sheet date as well as the income and expenses during the reporting period. Existing uncertainties are reasonably 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:

Notes to the Consolidated Financial Statements

Deferred tax assets are also recorded for tax loss carry forwards. 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 under-funding is the result. Such amounts are reported in the year they are incurred with an impact on result.

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, 2004 exclusively comprise domestic companies using the Euro as the functional currency. Assets and liabilities denominated in foreign currencies are reported 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 arised 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, 2004 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 financial year 2004, the following expenses would have been incurred according to SFAS 123.

	Dec. 31, 2004	Dec. 31, 2003
Net income as reported	–1,653	209
Expenses of share-related compensation based on the fair value after taxes	0	0
Pro forma net loss/net income	**–1,653**	**209**
Earnings per share:		
Undiluted as reported	–0.17	0.02
Undiluted per pro forma	–0.17	0.02
Diluted as reported	–0.17	0.02
Diluted per pro forma	–0.17	0.02

Research and development costs
Research and development costs are expensed as incurred, provided that no significant costs were 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 2004 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, provided their useful lives are limited in time. Intangible assets with currently indefinite lives and goodwill are 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:

	2004
Software and 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:

	2004	2003
Software and licenses	5.7	5.6
Patent rights	10.0	10.0
Leasehold improvements	8.6	8.6
Hardware	4.8	4.4
Vehicles	0.0	5.0
Plant and office equipment	10.0	9.5

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.

Write-downs to lower fair values as of the balance sheet data are recorded to the income statement if the impairment is deemed to be permanent.
Loans are stated at acquisition costs.
Reinsurance contracts are stated at the cash surrender value.

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 shown as a deduction from the total stockholders' equity.

Current assets
Inventories are measured at the lower of acquisition or production costs. 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 less corresponding advance payments received. Valuation allowances are provided for doubtful receivables in compliance with the probability of a financial loss.

Notes to the Consolidated Financial Statements

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.
Liquid assets include cash on hand, bank balances and cash equivalents. 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 carry forwards. Where the realization of the tax net operating loss carry forward is improbable, a valuation allowance is made for the deferred tax assets.

Provisions and liabilities
The valuation of the pension provision is based upon present value of entitlement 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 stockholder transactions. Such changes did not arise in the financial years 2004 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 regulations

There have been no relevant changes to the accounting regulations during the reporting period.

5. Major differences between US-GAAP and accounting according to German law

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 accounting according to German-GAAP and US-GAAP are explained below.

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

Revenue recognition
Under US-GAAP, long-term 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 carry forwards.

Goodwill and intangible assets
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-GAAP, capitalization of such expenses is not permitted.

Treasury stock
Under US-GAAP, treasury stock is generally not capitalized. The acquisition costs of treasury stocks are shown as a deduction from the total stockholders' equity. 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 entitlement coverage method according to accounting German principles. In contrast, under US-GAAP pension obligations for defined benefit plans are calculated according to the present value of entitlement 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 commercial law.

Notes to the Consolidated Financial Statements

B. Notes to the Consolidated Income Statement

6. Other operating income and expenses

Other operating income and expenses comprise amounts that cannot be classified to functional areas. It includes the following positions:

Other operating income

€ thousands	2004	2003
Income from the release of provisions	195	998
Income from the reduction of valuation allowance on receivables	207	468
Other	100	168
	502	**1,634**

The income from the release of provisions relates to personnel provisions in the amount of TEUR 81 (2003: TEUR 560), outstanding invoices in the amount of TEUR 66 (2003: TEUR 167), legal disputes in the amount of TEUR 10 (2003: TEUR 113), warranties in the amount of TEUR 0 (2003: TEUR 80) and other provisions in the amount of TEUR 38 (2003: TEUR 78).

The income from employee remuneration in kind in the amount of TEUR 322 and the income from discounts in the amount of TEUR 38 in 2003 were moved to the functional areas in accordance with their cause and in accordance with the applied procedure during the financial year.

Other operating expenses
In the previous year, the other operating expenses included a value allowance of TEUR 209. This was moved to selling and marketing expenses. Now, only the remaining expenses of TEUR 38 (2003: TEUR 15) are comprised.

7. Financial results

The Financial result is comprised of the following positions:

€ thousands	2004	2003
Income from investments	5	1
Income from other securities and loans	50	50
Other interest and similar income	134	207
Interest and similar expenses	– 50	– 45
Financial results	**139**	**213**

Other interest and similar income relates to interest from cash deposits and current bank accounts.

8. Income taxes

Income taxes of the Group are broken down as follows:

€ thousands	2004	2003
Current taxes	– 26	– 142
Deferred taxes	93	– 20
Total income taxes	**67**	**– 162**

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

€ thousands	2004	2003
Pensions provisions	53	43
Intangible assets	– 26	– 36
Deferred tax assets	**27**	**7**
Inventories	– 3,756	– 2,718
Receivables	1,232	972
Intangible assets	0	0
Payments received	2,473	1,673
Other provisions	80	175
Deferred tax liabilities	**29**	**102**

As of December 31, 2004, tax net operating loss carry forwards consist of TEUR 18,661 (12/31/2003: TEUR 16,729) for corporate income taxes and TEUR 21,189 for trade taxes (12/31/2003: TEUR 20,470). The tax loss carry forwards as of December 31, 2003 increased compared to the previous year due to corrections resulting from the tax assessments for previous years, for the corporate tax by TEUR 1,999, and for trade income tax by TEUR 3,923. Due to the uncertainties regarding the realization of the tax net operating loss carry forward, deferred tax assets created in prior years and in 2004 have been fully written-down.

In relation to the Group results before income taxes, the effective tax expense for the reporting year was 3.9 % (2003: 43.7 %). The reconciliation of tax charges based on the current German combined income tax rate in effect of 40.6 %, which is unchanged from the previous year, is presented in the table below. The combined income tax rate comprises the corporate income tax rate of 21.8% after trade taxes, solidarity taxes of 5.5 % and the trade tax rate of 17.6 %.

€ thousands	2004	2003
Net result before income taxes	–1,720	3,710
Expected tax income/expense	698	–151
Taxes due to auditing	–3	–33
Deferred tax income on loss carryforwards	1,149	0
Valuation allowance on deferred tax assets	–1,887	0
Use of loss carryforwards	0	264
Taxes on non-deductible expenses and income	109	–245
Other	1	3
Income taxes	67	–162

9. Other disclosures

Extraordinary results

The extraordinary expense in 2002 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 2002 in the amount of TEUR 1,030 is reported as extraordinary income in 2003.

Discontinued operations

Prior year's results from discontinued operations related to the differences between the effective expenses and the provisions created for them for the closure of the business segment Channeling in financial year 2002, which led to an impact on income in 2003 and 2004. The table below presents the individual components of the consolidated profit and loss account that resulted in the balance. Significant assets and liabilities from discontinued operations did not exist as of December 31, 2004.

€ thousands	2004	2003
Administrative expenses	0	–9
Other operating income	0	248
Other operating expenses	0	–240
Financial result	–14	–14
Result from discontinued operations, net of tax	–14	–15

Personnel expenses

Personnel expenses are broken down as follows:

€ thousands	2004	2003
Wages and salaries	15,740	16,293
Social security costs	2,313	2,666
Expenses for pension benefits	155	131
	18,208	19,090

In financial year 2004, the company employed an average of 256 (2003: 309) persons. The personnel expenses per employee totaled TEUR 71 (2003: TEUR 62). Also see the notes to other operation income under section 6.

Notes to the Consolidated Financial Statements

Stock-based compensation
For the plenum AG stock option plan, which is accounted for according to the intrinsic value method in accordance with APB 25, the shareholders meeting of 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 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 are forfeited without compensation.

During the reporting year as well as in the previous year, there were no rights issued to the members of the management board of plenum AG and no option rights were granted to other eligible persons.

	Number of options	Average exercise price in €
Jan. 1, 2003	**411,500**	**10.04**
Granted	0	n/a
Exercised	0	n/a
Cancelled	–37,700	10.40
Dec. 31, 2003	**373,800**	**10.01**
Granted	0	n/a
Exercised	0	n/a
Cancelled through expiry	0	n/a
Cancelled, otherwise	–32,850	10.10
Dec. 31, 2004	**340,950**	**10.00**

As of December 31, 2004, outstanding stock options had an exercise price of EUR 8.51 to EUR 13.74. The average remaining term is 1.2 years (12/31/2003: 2.2 years).

Costs of purchased merchandise and services
The costs for purchased merchandise and services for financial year 2004 amounted to TEUR 18,127 (2003: TEUR 15,251). There was a correction for the previous year because of the reclassification of cash discounts received. Also see the notes to other operating income under section 6.

10. Earnings per share

According to the treasury stock method, the stock options issued from 2000 to 2002 did not have diluting 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

11. Fixed assets

The development of intangible assets and tangible fixed assets is presented in the table below.

€ thousands	Intangible assets	Leasehold improvement	Other property, plant and equipment	Total tangible fixed assets
Acquisition costs at Jan. 1, 2004	2,437	1,121	7,728	8,849
Additions	90	0	262	262
Disposals	0	0	862	862
Transfer postings	0	9	–9	0
Acquisition costs at Dec. 31, 2004	**2,527**	**1,130**	**7,119**	**8,249**
Accumulated depreciation at Jan. 1, 2004	1,818	683	6,602	7,285
Depreciation additions	264	113	419	532
Depreciation disposals	0	0	834	834
Depreciation transfer postings	0	4	–4	0
Accumulated depreciation at Dec. 31, 2004	**2,082**	**800**	**6,183**	**6,983**
Net book value at Dec. 31, 2004	**445**	**330**	**936**	**1,266**

Financial assets developed in financial year 2004 as follows:

€ thousands	Financial assets	Loans	Total
Acquisition costs at Jan. 1, 2004	13,982	1,057	15,039
Additions	6	50	56
Disposals	0	0	0
Transfer postings	0	0	0
Acquisition costs at Dec. 31, 2004	**13,988**	**1,107**	**15,095**
Accumulated depreciation at Jan. 1, 2004	13,870	0	13,870
Depreciation additions	0	0	0
Depreciation disposals	0	0	0
Depreciation transfer postings	0	0	0
Accumulated depreciation at Dec. 31, 2004	**13,870**	**0**	**13,870**
Net book value at Dec. 31, 2004	**118**	**1,107**	**1,225**

Notes to the Consolidated Financial Statements

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 financial year 2003 and as of December 31, 2004, 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.

12. Inventories

This position mainly comprises not yet cleared expenses for projects.

13. Receivables and other assets

The accounts receivable are broken down as follows:

€ thousands	Dec. 31, 2004	Dec. 31, 2003
Receivables	6,385	4,750
Future receivables from projects		
services that have not yet been invoiced	3,103	2,467
Valuation allowances for bad debts	–165	–263
	9,323	**6,954**

Prepaid expenses and other current assets are broken down as follows:

€ thousands	Dec. 31, 2004	Dec. 31, 2003
Tax receivables	99	960
Prepaid expenses	167	171
Other	45	87
	311	**1,218**

All receivables have a maturity of less than one year.

14. Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank balances with an original maturity of 3 months or less.

15. 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 the shareholders' meeting resolution dated June 17, 2004, plenum is authorized to acquire treasury stock for certain reasons up to December 17, 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 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, 2004, 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. In 2004, no treasury shares were acquired, applied or redeemed.

16. Pension provision

The company granted certain vested direct pension benefits. The amount of pension benefits is based on salary and length of service. The amount of the earned benefits is adjusted annually in accordance with SFAS 87, provided the premises of the calculation used in the past changed in the current financial year. The pension obligations under the projected unit credit method were calculated using the following assumptions:

	2004	2003
Interest rate	5.25 %	5.50 %
Inflation rate	1.50 %	1.50 %

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

€ thousands	Dec. 31, 2004	Dec. 31, 2003
Projected benefit obligation (PBO) at the beginning of the year	669	872
Service cost	10	7
Interest cost	37	38
Actuarial gains / losses	12	– 241
Pension payments	–7	–7
Projected benefit obligation (PBO) at the end of the year	**721**	**669**

The actuarial gains and losses are reported as incurred with an impact on income. As of the December 31, 2004, the accumulated benefit obligation (ABO) corresponded to the projected benefit obligation (PBO). The current value of the plan assets was set to the cash surrender value. The reported values of the insurance policies are as follows:

€ thousands	Dec. 31, 2004	Dec. 31, 2003
Plan assets at the beginning of the year (fair value)	73	67
Actual return on plan assets	6	6
Plan assets at the end of the year (fair value)	**79**	**73**

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

€ thousands	Pension payments
2005	7
2006	7
2007	7
2008	7
2009	45
2010 to 2014	224

In financial year 2004, plenum AG paid an amount of TEUR 76 (2003:TEUR 94) for a defined contribution plan via a pension trust.

18. Other provisions

Other provisions are broken down as follows:

	Dec. 31, 2004		Dec. 31, 2003	
€ thousands	total	of which > 1 year	total	of which > 1 year
Taxes	90	0	355	0
Outstanding invoices	3,477	0	2,804	0
Personnel accruals	1,794	0	1,290	0
Warranties	855	855	765	765
Travel costs	386	0	387	0
Anticipated losses	24	0	105	0
Other accrued liabilities	444	0	364	0
	7,070	**855**	**6,080**	**765**

Notes to the Consolidated Financial Statements

19. Liabilities

Liabilities are broken down as follows:

€ thousands	Dec. 31, 2004 total	Dec. 31, 2004 of which > 1 year	Dec. 31, 2003 total	Dec. 31, 2003 of which > 1 year
Bank loans	80	62	188	78
Advance payments	180	0	642	0
Accounts payable	1,863	0	1,666	0
Other liabilities	1,075	0	599	0
	3,198	**62**	**3,095**	**78**

Bank loans relate to one loan (Dec. 31, 2003: two loans) granted to an affiliated company (Dec. 31, 2003: two affiliated companies). The interest rate for these loans amounted to 3.75 %. The term is 10 years and ends in 2009.

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 1,500 (12/31/2003: TEUR 2,295), of which TEUR 600 consist of cash credits. Of these limits, an amount of TEUR 192 was used in the form of guarantees as of December 31, 2004 (12/31/2003: TEUR 143).

Other liabilities consist of:

€ thousands	Dec. 31, 2004	Dec. 31, 2003
Taxes	470	249
Social security	323	313
Wages and salaries	216	0
Other	66	37
	1,075	**599**

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 (2003: TEUR 6) and non-cash increases to loans in the amount of TEUR 50 (2003: TEUR 50).

E. Other Disclosures

19. 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 192 (12/31/2003: TEUR 143).

Commitments for rent and leasing agreements amount to:

€ thousands	Dec. 31, 2004
2005	1,418
2006	1,108
2007	816
2008	335
2009	13
after 2009	4
	3,694

The expenses for rent and leasing agreements amount to TEUR 1,617 (2003: TEUR 1,818).

20. Pending litigation and other risks

A provision was made at the end of 2004 for litigation risks from pending legal disputes in the amount of TEUR 195 (12/31/2003: TEUR 176).

21. 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 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.

22. 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).

The most important internal 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.

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

€ thousands	2004	2003
IOP	– 626	2,708
Group wide costs and consolidation effects	– 422	–1,472
EBITDA	–1,048	1,236
Depreciation	–796	–1,108
Financial results and taxes	205	51
Extraordinary results and results from discontinued operations	–14	30
Group result	–1,653	209

The assets of the segments reconcile to the assets of the Group as follows:

€ thousands	Dec. 31, 2004	Dec. 31, 2003
Segment assets	11,164	11,324
Non operating assets	1,516	527
Liquid assets of the Group-wide cash pool	6,630	8,069
Group assets	19,310	19,920

The Group's customer structure didn't result in any major concentration in any given geographic region. Revenues of 41% were generated from one major customer in 2004 (2003: 39%).

Notes to the Consolidated Financial Statements

23. 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 2004, plenum Systems GmbH received services in the amount of TEUR 121 (2003: TEUR 158) from Informatic Consulting Bauer GmbH, Moos. As of December 31, 2004, there were liabilities due to Informatic Consulting Bauer GmbH in the amount of TEUR 6 (12/31/2003: TEUR 6). Informatic Consulting Bauer GmbH, Moos, renders lecturer services within the plenum School, the internal advanced education of plenum Systems GmbH. In 2004, plenum AG received services in the amount of TEUR 18 (2003: TEUR 0) from Informatic Consulting Bauer GmbH, Moos. As of December 31, 2004, there were liabilities due to Informatic Consulting Bauer GmbH in the amount of TEUR 4 (12/31/2003: TEUR 0). In December 2004 and on the previous year's cut-off date, there were no receivables due.

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 2004, plenum AG received services in the amount of TEUR 13 (2003: TEUR 10) from Dr. Händel. As of December 31, 2004 and as of December 31, 2003, there were no receivables due.

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 secured by a guarantee.

plenum AG maintains 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 2004, plenum AG received services in the amount of TEUR 194 (2003: TEUR 110). As of December 31, 2004, a liability in the amount of TEUR 27 (Dec. 31, 2003: TEUR 3) was recorded for KomPuls GmbH. As of December 31, 2004 and as of December 31, 2003, there were no receivables due.

plenum Communication GmbH (formerly 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 Communication GmbH (formerly plenum stoll & fischbach Communication GmbH), and Gerhard Fischbach, managing director of plenum Communication GmbH (formerly plenum stoll & fischbach Communication GmbH). S&F GmbH & Co. KG rents office spaces and parking spaces located at "Johannes-Kepler-Straße 4–6, 71083 Herrenberg" to the Company. In 2004, the Company paid rents including utility costs in the amount of TEUR 228 (2003: TEUR 244) to S&F GmbH & Co. KG. As of December 31, 2004 and on December 31, 2003, there were no receivables due.

24. Important events after the balance sheet date

At the end of January 2005, the Frankfurt location of plenum Systems with its 15 employees was moved to Wiesbaden.

25. Corporate Governance

On November 22, 2004, 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.

26. 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	Heinz Stoll Number of shares*	Gesamt Number of shares
Jan. 1, 2004	1,991,253	20,453	531,500	2,543,206
Additions	0	0	0	0
Disposals	100,000	0	100,000	200,000
Dec. 31, 2004	**1,891,253**	**20,453**	**431,500**	**2,343,206**

* shares held indirectly

Stock options of the Management Board	Hartmut Skubch Number of shares	Klaus Gröne Number of shares	Heinz Stoll Number of shares*	Gesamt Number of share
Jan. 1, 2003*	56,500	25,200	0	81,700
Additions	0	0	0	0
Disposals	0	0	0	0
Dec. 31, 2004	**56,500**	**25,200**	**0**	**81,700**

* On 1.1.2004, this still contained stock options amounting to 5,000 shares. They belonged to Bernhard Achter, who resigned from the Management Board on 2.1.2004. The stock options expired on the date of resignation.

Shares held by the Supervisory Board	Michael Bauer Number of shares*	Dr. Wolfgang Händel Number of shares*	Norbert Rohrig Number of shares	Gesamt Number of share
Jan. 1, 2004	370,360	3,500	700	374,560
Additions	0	0	0	0
Disposals	0	0	0	0
Dec. 31, 2004	**370,360**	**3,500**	**700**	**374,560**

* shares held indirectly

Total remuneration (cash compensation, monetary benefits, insurance and severance payments) granted by plenum AG to the members of the Management Board for the financial year 2004 amounted to TEUR 978 (2003: TEUR 1,038). In the previous year TEUR 113 related to variable remuneration.

Notes to the Consolidated Financial Statements

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, 2004)
Hartmut Skubch (Chairman)	Strategy, Sales and Finance (Sales from Jan. 3, 2004)	
Klaus Gröne	plenum Management Consulting, plenum Systems and Human Resources	
Heinz Stoll	plenum Communication and Marketing	
Bernhard Achter (up to Jan. 2, 2004)	plenum Systems and Sales	aloba AG, Burgdorf (Switzerland)

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, 2004)
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 Information Systems AG, Munich
Dr. Wolfgang Händel	Independent 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 Deputy Chairman of the supervisory board of GEYER AG, Nürnberg
Norbert Rohrig	Member of the management board of AXA Konzern AG, Cologne AXA Lebensversicherung AG, Cologne AXA Versicherung AG, Cologne AXA Service AG, 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, 2005

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 Communication GmbH, Herrenberg (formerly plenum stoll & fischbach Communication GmbH, Herrenberg)	100 %
2. Other associated companies	
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, 2004. 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, 2004 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, 2004, 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, 2004 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 4, 2005

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

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

Corporate calendar 2005

April 7, 2005
Publication of
Annual Report 2004

May 25, 2005
Publication of report
for the first quarter 2005

June 30, 2005
General Meeting 2005
Casino Gesellschaft
Wiesbaden

August 30, 2005
Publication of report
for the first half 2005

Analyst conference 2005
German Equity Forum
(Deutsches Eigenkapital-Forum)
November 21 - 23, 2005
Francfurt

November 24, 2005
Publication of report
for the first three quarters 2005

Published by / Contact

plenum AG
Investor Relations
Hagenauer Straße 53
D-65203 Wiesbaden
Tel. +49 (0)611 98 82-229
Fax +49 (0)611 98 82-174
www.plenum.de/facts.htm
aktie@plenum.de

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

Current information is also available on the Web at: www.plenum.de

For additional copies, please contact our annual report service:
Tel. +49 (0)800 181 41 40
Fax +49 (0)800 819 55 70
www.handelsblatt.com/gberichte

Design and layout:
plenum Communication GmbH
plenum stoll & fischbach
Kalkofenstraße 51
71083 Herrenberg

…) plenum · · ·

plenum