Quarterly Report 1/2005

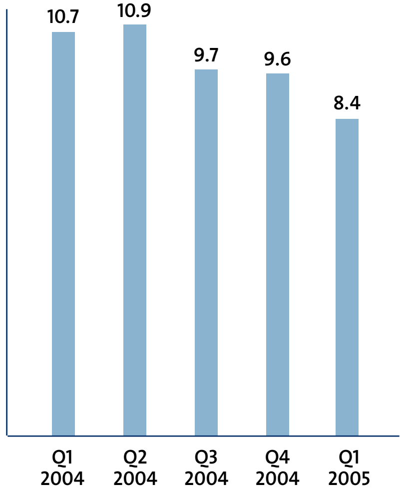
according to US-GAAP up to March 31, 2005

Overview

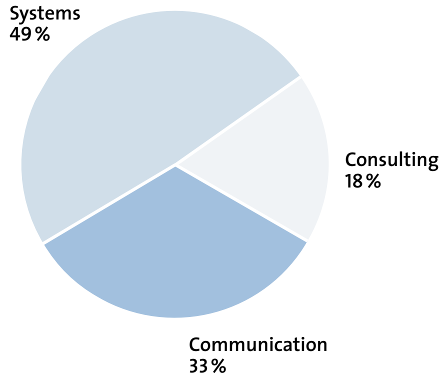
plenum Group – key figures (US-GAAP) in € thousands	Jan. 1 – March 31, 2005	Jan. 1 – March 31, 2004
Revenues	**8,405**	10,741
Gross profit	**674**	1,330
EBITDA	**–497**	–147
EBIT	**–663**	–371
Group net income/loss	**–796**	–328
Earnings per share (in €; undiluted/diluted)	**–0.08**	–0.03
Shares outstanding (basic; undiluted/diluted in thousands)	**9,577**	9,577
Equity ratio as at March 31, 2005 / Dec. 31, 2004	**42 %**	43 %
Net liquidity[1] as at March 31, 2005 / Dec. 31, 2004 (in € thousands)	**7,949**	6,434
Average number of employees as at Sept. March 31, 2005 / Dec. 31, 2004	**238**	256
Employees as at Sept. March 31, 2005 / Dec. 31, 2004	**236**	242

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

Revenue development (in € million)



Revenues structure after three months



plenum AG

plenum Management Consulting	plenum Systems	plenum Communication

Dusseldorf • Cologne • Stuttgart/Herrenberg
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Letter to Shareholders

Dear shareholders and business partners,

The changes to the demand and the competitive environment in the IT market over the past few years have fundamentally changed the requirements and general conditions for IT service providers and consultants. Against the background of the ongoing price pressure and the related barriers to further expansion of large project business, we made a decision at the end of 2004 that we would refocus on consulting-intensive themes in the future and we have already initiated the steps that are necessary for this. The organisational, personnel, and content-related interlocking of the Systems and Consulting segments is currently being implemented and will be completed in the 4th quarter of 2005.

The successful positioning of high-quality consulting themes and the return to higher order volumes are important success factors for expanding the consulting business as is adapting cost structures for strengthening its earning power. The increase in IT consulting orders with strategic relevance to the business of our customers shows us already that we are meeting the needs of our customers with our focused portfolio of services.

With these measures, we have set a course towards strengthening our core business. In the process, we are consciously accepting a considerable drop in revenue due to the withdrawal from the implementation business. Thanks to our consistency in driving the flexibility of value creation and systematic cost management, the loss in the 1st quarter turned out to be moderate in spite of a strong decrease in turnover.

Further shaping is also necessary in the communications business with its intensive competition. The Herrenberg location of plenum Communication has emphasised its positioning as an agency for integrated communication through the cooperation with Klis-Design and Frog-Design in the “Atlantis House”. Spinning off the Cologne subsidiary of plenum Communication into DOM GmbH in the 2nd quarter of 2005 has pushed forward the new profile in the field of interactive marketing.

We are proceeding of the assumption that this refocusing and the organisational measures that are necessary to adjust the cost structure of the Company will be completed in 12 months. In spite of the adverse balance that exists, there is still more than enough equity capital for this, but it will continue to be burdened. Due to the solid base of liquid assets, financing is assured.

Wiesbaden, May 2005

Hartmut Skubch
Chairman of the Managing Board

plenum

Interim Management Report

Economic environment

With a plus of approximately 1.0 % compared to the 4th quarter, the general economy in Germany started off better in the first three months of 2005 than the Euro zone as a whole (+0.5 %). However, in the opinion of the experts, the unexpected growth spurt of this amount somewhat oversubscribes the actual economic dynamics. The expected effect from the numerous workdays between Christmas and New Year at the end of 2004 didn't quite happen in the 4th quarter as was presumed in the seasonal adjustment and therefore underscored the trend of the economical development in the 4th quarter. Therefore, a realistic value for the 1st quarter was growth of approximately 0.3 %. The export activities remained decisive for growth because domestic demand in the first quarter was still regressive.

The growth expectations submitted by the industry associations at the beginning of the year were confirmed by the respective associations in the first quarter, both for the IT services sector as well as for the advertising market. Accordingly, the expected growth on an annual basis will reach 3 %–5 % in the sectors.

Business Development

Revenue and Booked Business

In the previous year, it was possible for both revenue development and booked business to profit from the large Phoenics project. As expected, there was a drop in turnover in the first quarter of 2005, which mainly resulted from business development in the Systems division. The large project that was completed to a great extent by the end of 2004 – which had a high proportion of external services totalling more than 60 % – and the withdrawal from the implementation business have influenced this development. Turnover dropped by Euro 8.4 million, or approximately 22 %, compared to the same quarter of the previous year. This means a drop of approximately 13 %, or Euro 1.2 million compared to the 4th quarter of 2004. Value creation (the percentage of our own business in the turnover) dropped by approximately Euro 0.5 million compared to the 4th quarter of 2004. Consequently, the overall ratio of value creation to turnover increased slightly.

At approximately Euro 6.3 million, booked business remained approximately Euro 2.1 million below the value of the sales revenue. Only in the Management Consulting division was it possible to noticeably expand the order backlog in the first three months of 2005 following a weak December.

in € thousands	Order backlog (31.12.)	Booked Business	Sales revenue	Order backlog (31.3.)	Lifespan of order backlog in months
Management Consulting	830	2,186	1,501	1,515	3
Systems total	6,544	2,011	4,147	4,408	3
of which Phoenics	*4,968*	*1,174*	*3,056*	*3,086*	
Communication	2,204	2,145	2,757	1,592	2
Total	**9,578**	**6,342**	**8,405**	**7,515**	**3**

Profit Situation and Cost Development

The remaining work within the framework of the Specified Services contracts for the large project and the constant price decline in the implementation business led to a decrease in gross profit from turnover in the Systems division and the Group as a whole. Therefore, the gross profit on sales dropped in the 1st quarter to 8 % while 14 % was achieved in the entire financial year 2004.

Gross profit on sales declined in the first quarter compared to the previous year's value by a total of TEUR 656 to TEUR 674. However, compared to the previous quarter, it was possible to increase gross profit by approximately TEUR 180 in spite of lower sales revenue above all due to fewer external services.

By significantly lowering sales and marketing expenses as well as administration expenses, the cost ratios – adjusted to the business development – remained nearly constant compared to the previous year as a whole. As a result, at TEUR –796, the loss in the 1st quarter turned out to be moderate in spite of a sharp drop in turnover.

Deferred tax expenses of approximately TEUR 160 burdened these results. The expenses were the result of the future tax burden for releases of revenues from Specified Services contracts for the large project according to the "percentage of completion method". Since this part of the project had already been completed in the second quarter of 2005, the effect on the deferred tax reversed in the second quarter and there was a deferred tax income of approximately the same amount so that it will most likely have no effect on the deferred tax of the 2005 financial statement.

Asset and Financial Position

The reserves of cash and cash equivalents increased compared to the previous year by TEUR 1,531 to TEUR 8,163. It was possible to achieve this liquidity inflow entirely from cash inflow from business operations (TEUR 1,564). Accordingly, the receivables dropped by 31.4 % to TEUR 6,395.

Current liabilities have dropped by TEUR 692. On one hand, this is attributable to a reduction of the liabilities from external services. On the other hand, wage and salary liabilities amounting to TEUR 216 were included that were paid out in the 1st quarter.

The equity ratio dropped by 0.8 % points to 42.2 % compared to December 31, 2004. Due to the period loss in the 1st quarter, equity capital dropped further and at Euro 7.5 million it corresponds to approximately 79 % of the subscribed capital.

Outlook

Refocussing and expanding the consulting business have the highest priority for financial year 2005. As a result of the refocussing, there is generally lower sales revenue to be expected than in the previous year. The consistent implementation of all measures and adjustments within the cost structure of the Company will be completed in 12 months. In spite of the adverse balance that exists, there is still more than enough equity capital for this, but it will continue to be burdened. Due to the solid base of liquid assets, financing is assured.

Segment information in € thousands (Jan. 1 – March 31, 2005)		Consulting	Systems	Communi-cation	Total
Net sales	CY	1,501	4,174	2,757	8,405
	PY	*1,344*	*6,116*	*3,282*	*10,742*
Intercompany	CY	284	333	42	659
	PY	*415*	*137*	*29*	*581*
Gross sales	CY	1,785	4,480	2,799	9,064
	PY	*1,759*	*6,253*	*3,311*	*11,323*
Segment costs	CY	–1,990	–4,724	–2,900	–9,614
	PY	*–1,749*	*–6,481*	*–3,190*	*–11,420*
Internal Operating Profit (IOP)	CY	–205	–244	–101	–550
Margin		–11 %	–5 %	–4 %	–6 %
	PY	*10*	*–228*	*121*	*–97*
		1 %	*–4 %*	*4 %*	*–1 %*
Segment assets	CY	1,498	6,179	2,614	10,291
	PY	*1,162*	*7,409*	*2,593*	*11,164*

CY = Current year, PY = Prior year

Reconciliation of operating segment results in € thousands	Jan. 1 – March 31, 2005	Jan. 1 – March 31, 2004
IOP	–550	–97
Group wide costs and consolidation effects	53	–50
EBITDA	–497	–147
Depreciation	–166	–224
Financial results and income tax	–129	43
Loss from discontinued operations	–4	0
Group net income	–796	–328

Reconciliation of group assets in € thousands	March 31, 2005	Dec. 12, 2004
Segment assets	10,291	11,164
Non operation liabilities (PY: non operating assets)	–626	1,516
Liquid assets	8,161	6,630
Group assets	17,826	19,310

Segments

plenum Management Consulting

Development of the gross sales revenue of plenum Management Consulting was close to being stable in the first three months of financial year 2005. At TEUR 1,785, it was slightly higher than the value of the previous year (TEUR 1,759) and only slightly lower than the value of the previous quarter, which was TEUR 1,872. Consulting made up 18 % of the total gross sales revenues compared to only 16 % in the previous year.

Due to the higher segment costs of 14 % – especially caused by the increase of external services – the internal operating profit (IOP) dropped by TEUR 10 to TEUR –205.The majority of external services were services from the Systems division.

The positive development of booked business in the first quarter confirmed the estimation of an increasing need for qualified consulting services. Besides extensions, or alternatively follow-up orders for important, ongoing customer projects, above all, it was possible to expand project business with new customers. Here, tasks that are strategically important to our customer's business were mainly in the foreground. Besides support of decisions for IT-sourcing projects or for accompaniment to outsourcing activities, the Consulting Division was also hired for projects involving the strategy and repositioning of banks and financial service providers.

plenum Systems

The development of the gross sales revenue of plenum Systems is strongly influenced by the completion phase of the large project in the fourth quarter of 2004. At TEUR 4,480, gross sales revenue was considerably below the value of the same time period of the previous year, which was TEUR 6,253, and it was also below the value of the previous quarter of TEUR 5,591. However, the IOP only changed slightly compared to the previous year by TEUR 16 to TEUR –244.

With 49 % share of revenue (previous year's period: 55 %), plenum Systems remained the largest contributor to revenue in the Group.

Still of major importance in the first quarter of 2005 were the concluding activities of the Phoenics project, the related successful acceptance of the services from the Specified Services contracts, as well as the order for further development and maintenance activities, initially for the first half of 2005.

Also, the first joint project with the Indian partner Polaris was completed for a large financial services company. After a project runtime of approximately 12 months, the banking software developed by Polaris was put into productive use.

plenum Communication

With gross sales revenues totalling TEUR 2,799, plenum Communication had a decline of TEUR 512 compared to the previous year. On the other hand, compared to the two previous quarters, there was a slight increase to the gross sales revenues. It was possible to use the costs to partially compensate for the decline compared to the previous year, the IOP dropped by TEUR 222 to TEUR –101. The share of revenue increased slightly from 29 % to 31 %.

Besides the stable development of business and the continued, noticeable revitalisation of demand, the first quarter for plenum Communication was influenced by moving the Herrenberg location to the Atlantis building. Atlantis is a design and communication centre in Herrenberg with three partners and complementary competencies: Klis Design (specialised in packaging design and corporate design), frog design (product design) and plenum stoll & fischbach (communications solutions: Internet and multimedia, classic and PR). This important step to expand cooperative activities gives customers comprehensive services and approximately 130 specialists, all under one roof. The first joint customer success after only a few weeks of working together confirms the strategic benefits of this decision.

Reconciliation to Group Net Income

The enterprise-wide earnings of TEUR 53 (costs of TEUR 50 in the previous year's period) were the result of savings measures and budget shifts and their effects on the corporate assessment rates.

Miscellaneous Notes

Employees

Compared to the end of financial year 2005, the number of employees dropped slightly as of March 31, 2005 from 242 to 236. With it, the average number of employees after three months in the current financial year was 238 compared to an average of 256 employees in the past financial year.

Investments

The company made no significant investments in the first three months of 2005.

Risk development

There have been no material changes in the risk situation of plenum AG and its affiliates compared to the detailed description presented in the Annual Report 2004.

Events of Particular Importance

All the development services that are still outstanding within the scope of the Specified Services contracts for the "Phoenics" large project were completed and accepted by the customer in the second quarter of 2005. Continued cooperation will take place on the basis of follow-on contracts for further development and systems maintenance, which have already been prearranged.

Interim dividend

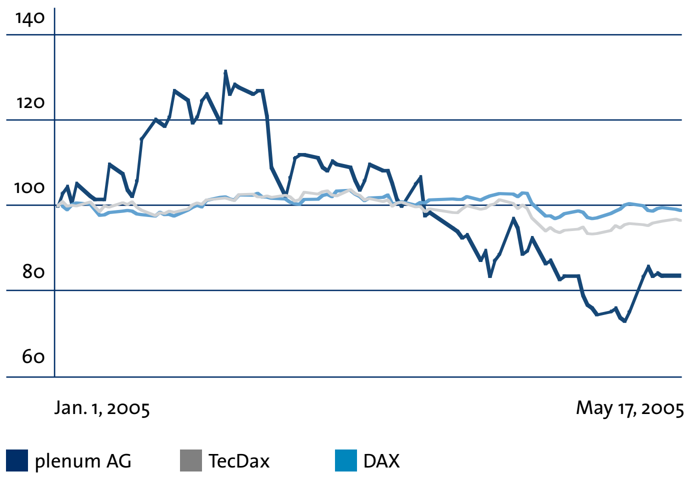
plenum AG did not pay and does not propose to pay any interim dividend or make any other distributions for the period under review, January 1 to March 31, 2005.

The plenum Share

plenum Share
Under the effect of the reduced economic forecast at the beginning of 2005, the capital market proceeded with sideways development. By the middle of May, the value of both the DAX and TecDAX dropped slightly, but were able to essentially maintain their respective starting levels at the beginning of the year.

In contrast to this, the plenum share lost approximately 15 % between the beginning of the year and the middle of May. Following a good start at the beginning of the year, the price development came under pressure, above all since publication of the 2004 financial statement. Consequently, in the past 12 months, the share dropped by a total of approximately 46 % and the market capitalisation at the middle of May was approximately Euro 12.5 million.

Share price performance vs. TecDAX (indexed)



Treasury shares and subscription rights
As of March 31, 2005 plenum AG or other companies as defined by section 160 (1) clause 2 of the Aktiengesetz (AktG – German Public Companies Act) continued to hold 16,790 treasury shares of plenum AG.

No convertible bonds or similar securities as defined by section 160 (1) clause 5 of the AktG had been issued as of March 31, 2005.

As of March 31, 2005, 321,050 subscription rights had been issued in accordance with section 192 (2) clause 3 of the AktG. 81,700 of these related to the executive bodies of plenum AG. No subscription rights were granted in the current fiscal year.

Shareholder structure (directors' holdings)

plenum AG's registered capital was unchanged at 9,577,068 no-par value shares as of March 31, 2005.

Shares, Managing Board members	Hartmut Skubch	Klaus Gröne	Heinz Stoll	Total
	Number of shares	Number of shares	Number of shares	Number of shares
Dec. 31, 2004	1,891,253	20,453	431,500*	2,343,206
March 31, 2005	1,891,253	20,453	431,500*	2,343,206

* Indirect shareholding

Subscription rights, Managing Board members	Hartmut Skubch	Klaus Gröne	Heinz Stoll	Total
	Number of shares	Number of shares	Number of shares	Number of shares
Dec. 31, 2004	56,500	25,200	0	81,700
March 31, 2005	56,500	25,200	0	81,700

Shares, Supervisory Board members	Michael Bauer	Dr. Wolfgang Händel	Norbert Rohrig	Total
	Number of shares	Number of shares	Number of shares	Number of shares
Dec. 31, 2004	370,360*	3,500*	700	374,560
March 31, 2005	370,360*	3,500*	700	374,560

* Indirect shareholding

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

Income Statement

€ thousands	Jan. 1– March 31, 2005	Jan. 1– March 31, 2004
Revenues	8,405	10,741
Cost of revenues	–7,731	–9,411
Gross profit	**674**	**1,330**
Selling and marketing expenses	–975	–1,263
General and administrative expenses	–414	–424
Research and development expenses	–15	–109
Other operating income and expenses	67	95
Operating income	**–663**	**–371**
Financial result	31	44
Result before income taxes	**–632**	**–327**
Income taxes	–160	–1
Loss from discontiunues operations, net of tax	–4	0
Net income / loss	–796	–328
Earnings per share (in €; diluted/undiluted)	–0.08	0.03
Weighted average shares outstanding (in thousands, diluted/undiluted)	9,577	9,577

Consolidated Balance Sheet

Assets € thousands	March 31, 2005	Dec. 31, 2004
Cash and Cash Equivalents	8,163	6,632
Trade accounts receiveable	6,395	9,323
Inventories	0	0
Prepaid expenses and other current assets	418	312
Total current assets	**14,976**	**16,347**
Property, plant and equipment	1,191	1,266
Intangible assets	388	445
Investments	118	118
Loans	1,119	1,107
Deferred taxes	34	27
Total non current assets	**2,850**	**2,963**
Total Assets	**17,826**	**19,310**

Liabilities and shareholders' equity € thousands	March 31, 2005	Dec. 31, 2004
Short term debt and current portion of long-term debt	18	18
Trade accounts payable	1,452	1,863
Advance payments received	196	180
Accrued expenses	5,959	6,186
Deferred taxes	195	29
Other current liabilities	839	1,075
Total current liabilities	**8,659**	**9,351**
Long-term debt, less current portion	62	62
Deferred taxes	855	855
Pension accruals	725	721
Total non current liabilities	**1,642**	**1,638**
Share Capital	9,577	9,577
Additional paid-in capital	14,151	14,151
Treasury Stock	– 83	– 83
Accumulated deficit	–16,120	–15,324
Total Shareholders' equity	**7,525**	**8,321**
Total Liabilities and Shareholders' equity	**17,826**	**19,310**

Cash Flow Statement

€ thousands	Jan. 1 – March 31, 2005	Jan. 1 – March 31, 2004
Net income / loss	**–796**	–328
Adjustments:		
Depreciation and Amortization	**166**	224
Net results from disposal of intangible assets and property, plant and equipment	**–1**	–8
Other non-cash expenditure and income	**–12**	–13
Changes in assets & liabilities:		
Changes in inventories	**80**	242
Changes in receivables	**2,928**	–3,212
Changes in prepaid expenses and other current assets	**–106**	726
Changes in trade accounts payable	**–411**	736
Changes in other liabilities	**–220**	448
Changes in accrued expenses	**–223**	776
Changes in other assets and liabilities	**159**	–5
Net cash from operating activities	**–1,564**	**–898**
Proceeds from the disposal of intangible assets, property, plant and equipment	**1**	8
Payments for purchase of intangible assets, property, plant and equipment	**–34**	–39
Net cash from investing activities	**–33**	**–31**
Changes in debt	**0**	–18
Net cash from financing activities	**0**	**–18**
Decrease in cash & cash equivalents	**1,531**	–947
Cash & cash equivalents at beginning of period	**6,632**	8,103
Cash & cash equivalents at end of period	**8,163**	7,156

Net inflows from interest: TEUR 19 (2004: TEUR 33)
Net cash from income tax: TEUR 1 (2004 net inflows: TEUR 3)

Statement of Changes in Shareholders' Equity

€ thousands	Number of shares in thous.	Net Income/ Net loss	Share capital	Additional paid-in capital	Treasury stock	Other Comprehensive Income	Accumulated deficit	Total Shareholders' equity
Jan. 1, 2004	9,577		9,577	14,151	–83	0	–13,671	9,974
Net loss		–328					–328	–328
March 31, 2004	9,577		9,577	14,151	–83	0	–13,999	9,646
Jan. 1, 2005	9,577		9,577	14,151	–83	0	–15,324	8,321
Net loss		–796					–796	–796
March 31, 2005	9,577		9,577	14,151	–83	0	–16,120	7,525

General information

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

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

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

plenum AG
Investor Relations
Hagenauer Straße 53
D-65203 Wiesbaden
Phone +49. (0)611. 9882-0
Fax +49. (0)611. 9882-150
aktie@plenum.de
www.plenum.de

Annual-Reports-Service
Phone +49. (0)800. 1814140
Fax +49. (0)800. 8195570
www.handelsblatt.com/gberichte

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690 100/ISIN DE0006901000
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