



# Annual Report 2005

...) plenum . . .  
We think the future

# 138240

**Handshakes\***

\* The estimated number of hands shaken in greeting or parting with customers and business partners by plenum AG employees in the fiscal year 2005. More than just a formal gesture: a genuine symbol of partnership.

# plenum Group Key Figures

plenum Group Key Figures in € thousands	2005 IFRS	2004 IFRS	2003 US-GAAP	2002 US-GAAP	2001 US-GAAP
Sales revenues	27,453	41,005	40,266	47,474	64,957
Gross profit	2,482	5,800	6,628	10,265	19,369
EBITDA	-2,705	-1,049	1,236	-1,103	5,086
EBIT	-3,383	-1,845	128	-7,120	3,430
Group net loss	-3,163	-1,653	209	-10,657	-11,631
Earnings per share in € (undiluted)	-0,33	-0,17	0,02	-1,11	-1,21
Shares outstanding (undiluted, in thousand)	9,577	9,577	9,577	9,577	9,577

plenum Group Key Figures	2005 IFRS	2004 IFRS	2003 US-GAAP	2002 US-GAAP	2001 US-GAAP
Equity ratio as at December 31	42 %	43 %	50 %	40 %	61 %
Cash and cash equivalents / securities as at Dec. 31 (in € thousands)	5,834	6,632	8,103	13,305	7,513
Net liquidity <sup>1</sup> as at Dec. 31 (in € thousands)	5,477	6,434	7,351	10,686	6,976
Working Capital as at Dec. 31 (in € thousands)	4,205	6,996	8,126	6,857	11,005
Long-term assets / Long-term debt and equity ratio as at Dec. 31	0,4	0,3	0,3	0,4	0,5
Current assets / current liabilities ratio as at Dec. 31	1,8	1,7	2,0	1,5	2,0
Average number of employees	221	256	309	399	390
Employees as at Dec. 31	195	242	269	338	462

<sup>1</sup> Cash and cash equivalents / securities less short-term bank liabilities and advance payments received

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...) plenum . . .

We think the future

# Letter to our Shareholders

Dear Shareholders,  
since the beginning of 2006, we have seen a nascent optimism growing in Germany. After years of cost cutting and restructuring, our customers have once again started about growth strategies.



Hartmut Skubch  
Chairman of the  
Management Board  
plenum AG

This was a development we anticipated and for which we prepared ourselves thoroughly.

Our major concern in 2005 was the implementation of our far-reaching Refocusing Strategy. We reflected on our strengths and consolidated them on the basis of a mission statement. This mission was defined by the management team to address an increasingly challenging market and developed around existing commercial options. Consequently, our activities in 2005 concentrated on three main areas:

- Focusing the consulting business on central future-oriented focus areas in strategic IT consulting, combined with technological excellence;

- Building up a distinctive corporate profile for our communications business in a recovering market demanding high quality communication services;

- Retrenching from pure software implementation assignments lacking strategic consulting potential.

Although the restructuring of our enterprise is not yet complete, we largely attained the medium term goals we set ourselves for 2005.

According to our plan, sales revenues in our low-margin implementation business were cut by almost one half from around EUR 18 million in 2004 to around EUR 9 million in 2005.

Our consulting activities were concentrated both organizationally and thematically and now focus on four central, future-oriented needs of our clients:

- IT-Strategy and Business Alignment;
- Customer Relationship Management and eBusiness;
- IT-Efficiency and IT-Governance;
- IT-Architecture and Technology Consulting.

Our communications business was systematically positioned as a specialist for integrated brand communication under the plenum stoll & fischbach brand name, and its market positioning strengthened significantly through collaboration with internationally renowned design agencies in the Atlantis building. In Cologne, our online agency also succeeded in establishing a distinctive corporate brand for interactive marketing under the DOM (Digital Online Media) trade name.

The transformation of our company according to the Refocusing Strategy will require further energy in 2006. According to the medium term plan, we will experience a further drop in sales revenues due to the ongoing retrenchment from our implementation activities; this is to be reciprocated at the same time by a return to growth in our consulting business. In doing so, our economic goals remain clearly in sight: a return to profitability in 2007.

Our customers recognized our focus to their key future-needs. An excellent pipeline of new orders with challenging projects in our core focus areas at the beginning of this year confirms that we are on the right track. Regardless of whether plenum consolidates the IT in corporate takeover situations, or assists in value-oriented IT project controlling in alignment with overall corporate strategy, its skills are in demand as never before. Future-orientation combined with extensive technological know-how and business competence is our obligation to our clients. Our added-value is the ability to handle politically complex corporate structures with professionalism and social competence in order to achieve a solution backed and sustainably implemented by all participants.

Demand for high-quality consulting services is set to soar in the coming years. The German Association of Management Consultants, BDU, is

predicting sales growth of 8 % in 2006 alone. We will participate in this development in accordance with the extent of our restructuring efforts.

I hope that you, our Shareholders, will continue to back the strategic focusing of our business to help it assume a strong market position and restore it to healthy profitability from 2007 onwards.

Wiesbaden, April 2006

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

Hartmut Skubch  
Chairman of the Management Board  
plenum AG

# 2159082

**Kilometers\***

\* The total number of kilometers we covered in 2005. Proof that we take the phrase close customer contact seriously.

# Company Profile

plenum focuses on two core businesses: consulting and communications services.

plenum provides consulting and communications services to facilitate the implementation of solutions to strategic problems. The focus areas of its consulting endeavors lie in the fields of business-oriented IT strategies, CRM strategies, efficiency improvements in all areas of IT deployment and integrated brand communication.

By concentrating on these two core business areas, plenum aligned the profile to address the future needs of our clients. In our consulting business, the trade marks plenum Management Consulting and plenum Systems are run by a joint management team, combining prominent consulting expertise and outstanding technological know-how. The agencies plenum stoll & fischbach and DOM operate independently due to their different clientele and service processes. Integrated into an international network, plenum stoll & fisch-

bach acts as a full service communication agency offering a complete range of services in the crossmedia brand-communication sector. DOM offers services and solutions in the growth market of interactive marketing.

Our consulting and communications businesses both offer end-to-end service portfolios covering everything from the validation and concretization of strategies to the development of partnership-centric solutions and, eventually, facilitating the reliable and stable implementation of the final programs. In doing so, considerable emphasis is placed on jointly managed change processes and efficient project management to ensure sustained

acceptance of the solution by our clients' managerial staff and employees alike. plenum assesses the solutions' effect on the success of customers' business results, using this as a measurement for the quality of our work.

## Standing out from the competition

plenum's ability to support customers competently during the implementation of their strategic programs and to professionally assist all aspects of fundamental change, is corroborated by 20 years market experience and over 500 successfully concluded projects. At the same time, our customers value the collegial teamwork of our consultants and all participants in securing spot-on, sustained solutions to their complex and demanding problems. plenum's objectiveness in assessing technologies, products and services distinguishes it as an IT management consultant from IT integrators and suppliers of business process outsourcing services.

With its agencies, plenum distinguishes itself through extensive strategic and consultative expertise in brand communication and has supplied over

450 companies with innovative brand communication concepts over the past 30 years.

plenum staff not only excel in their technical qualifications, but also in soft skills such as above average commitment, social intelligence, pragmatism, creativity and integrity. Our workforce, a customer relation network built on competence and mutual trust, as well as an outstanding reputation as an IT management consultant and communications service provider make an excellent starting point for further expansion.

## Core sectors and customer base

Our customer base includes 50 of Germany's Top 500 companies and 11 of the most important IT subsidiaries of large organizations. In our core sectors, we have provided services to 12 of the national Top 20 banks and five of the

Top six insurance companies operating in Germany. We are also successfully positioned in the German energy and logistics markets, as well as offering our services to brand name manufacturers.

## Service portfolio

We structure our expertise into focus specialties and offer a comprehensive service portfolio for solving strategic problems. Depending on the challenge at hand, plenum can optimize its projects by combining consulting and communications specialists, as required.

## IT-Strategy and Business Alignment

Our customers' goals in the financial services industry are the optimization and industrialization of their core processes through the strategic and

more efficient use of IT. Together with our clients, we develop business-oriented IT strategies, assess the efficiency of their IT, and accompany them in all phases from the phased optimization of their core processes to the formation of outsourced service companies.

## IT-Efficiency and IT-Governance

Our customers' goals are the efficient use of information technology and its purposive management combined with streamlined process organization. plenum supports them in evaluating, developing and implementing suitable organizational structures and processes for managing service providers, as well as installing expedient governance structures. In doing so, we assist in determining the optimal level of vertical integration, advise on carving out services to form group IT companies, introduce new organizational structures

(e. g. change & run) and optimize IT processes using standard reference methodologies such as plenum Reference Model, ITIL, , CMMi, etc.

#### **IT-Architecture and Technology Consulting**

By developing and implementing future-oriented IT architectures, we enable our customers to perform architecture-conformant system development in the context of their overall corporate strategy. System quality and security can be improved and IT costs slashed. plenum designs system, infrastructure and development architectures and introduces these in the framework of pilot projects. plenum also identifies and assesses the latest technological

innovations with regard to their business benefits, based on concrete application scenarios.

#### **Customer Relationship Management and eBusiness**

Against a background of increasingly individualized customer requirements, the global acceptance of digital media usage and increasing expectations of the efficient utilization of marketing and sales budgets, new strategic and creative concepts are needed in the field of customer relationship management. To this end, plenum develops CRM strategies and manages their implementation through CRM score-cards, customer segmentation and value analyses.

#### **Integrated Brand Communication**

Efficiency and market success are the result of an intelligent combination of classical advertising and technology-based media. plenum stoll & fischbach supports customers by developing and implementing integrated cross-media communication concepts, innovative online solutions and high publicity PR events. We also develop direct business strategies such as online marketing measures, CRM activities and online partner programs.

#### **Interactive Marketing**

In the age of modern communication, interactive technologies allow companies to enter into direct dialog with their customers. DOM supports its

customers by developing interactive campaigns and creating interactive applications for the Web and cellular phones. We also offer application hosting from our own high performance data center.

#### **Know-how Transfer**

For more than 18 years, the plenum brand stands for know-how transfer. In 2005 alone, we organized over 50 events in the form of seminars, expert circles and future forums to support knowledge transfer and exchange experiences about the latest trends in using and deploying future-oriented information technologies and communication strategies. Over 450 decision makers from 185 companies of all industries use this platform in an

atmosphere of mutual trust to exchange ideas and work together creatively on innovative topics.



1543

Seconds\*

\*The length of time it took for three of our creative minds to come up with the prize-winning idea for the initiative “Es ist nicht alles Käse in Deutschland.”

# Employees

The commitment and skills of our employees and managers are decisive factors in plenum's future success.

With a high level of dedication and commitment our employees satisfied our customers' demanding needs and met tough challenges. In doing so, the quality of their work often exceeds our clients' high expectations, thereby laying the basis for long-term, trustful business relationships.

Unfortunately and in spite of the high level of dedication, lay-offs were an unavoidable consequence of our Refocusing Strategy. The number of staff decreased by 47 to a total of 195 by year-end.

As part of plenum's new alignment, the Delivery Management division was established to jointly plan and manage

all staff assignments and training measures at plenum Management Consulting as well as at plenum Systems. Within this new division, Assignment Management is responsible for project staffing and the coordination of available resources for research and development activities.

plenum considers the continuing expansion of our staff members' personal qualifications as a strategic investment in the quality of our services and our innovative drive. To better reflect our customers' needs, the training program launched 2004 was now fine-tuned and extended in 2005

to broaden our staff's technical, personal and methodological skills.

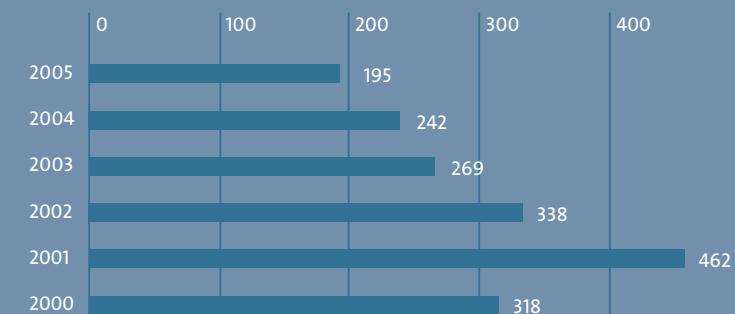
Around 750 person days were invested in internal and external training measures and will be continued in the current year.

We consider our workforce's exceptional qualification and high level of commitment as an excellent foundation for future growth in our core business segments.

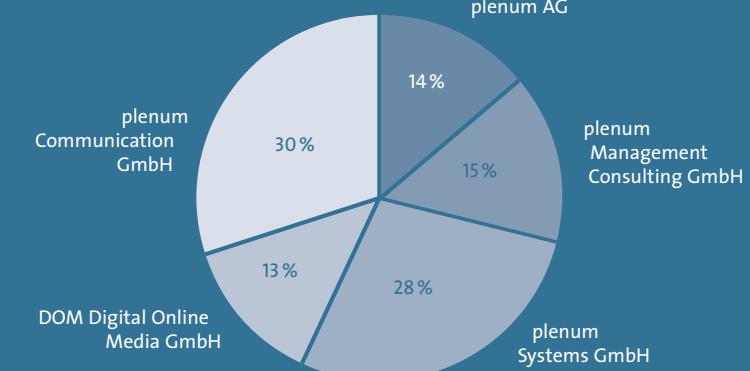
Distribution by gender		Job tenure
female	46 %	15–20 years
male	54 %	10–15 years
		5–10 years
		less than 5 years

Distribution by age	
50 and above	5 %
40–49	23 %
30–39	55 %
under 30	17 %

## Employment trends



## Staff distribution by segment



## The plenum Stock

Serving as an indicator for the initiated and necessary restructuring measures of the company, the plenum stock price fluctuated in 2005 irregularly and closed dissatisfactory.

In total, the share price lost 25% and ended at a price of EUR 1.17 compared to EUR 1.57 at the beginning of the year.

The volume traded of plenum shares increased relative to the previous year. In total 10.7 million shares were traded in the last financial year. This equals to an increase of 8% relative to the previous year when 9.9 million shares were traded. In average, around 42,000 shares were traded per day in 2005 compared to around 38,000 shares per day last year.

Since the beginning of last year we have intensified the dialog with shareholders and analysts. Institutional investors and financial analysts had the opportunity at three capital market conferences and numerous individual conversations to

speak directly with senior management about the Refocusing Strategy of plenum AG.

plenum AG will step up direct communication with investors and shareholders of the company in fiscal year 2006.

Private investors received all relevant information via the Investor Relations website ([www.plenum.de/investor-relations](http://www.plenum.de/investor-relations)).





2684154560

Kilobytes\*

\* Our digitalized expertise from 20 years of consulting. The basis for solving challenging tasks from our clients is constantly enriched by the professional knowledge and experiences of our consultants.

# Supervisory Board Report

In the year under review, the Supervisory Board regularly monitored management and advised the Managing Board.



Michael Bauer  
Chairman of the  
Supervisory Board  
plenum AG

The Supervisory Board conferred on six occasions, in which all Supervisory Board members participated with the Managing Board to discuss the Company's position, strategic business planning and developments in the individual business units. In addition, current events were dealt with on the telephone or in person between myself, as the Chairman of the Supervisory Board, and the Chairman of the Managing Board as well as other Supervisory Board and Managing Board members. Furthermore, we passed written Supervisory Board resolutions in circulation.

The Managing Board informed the Supervisory Board in depth about the business developments and economic position of the Company, its subsidiaries and investments during the meetings through oral and written reports. In particular, the current financial position of the Company was reported. We were notified concerning all important current business transactions on a regular and timely basis.

In its extraordinary meeting in March 2005, which took place as telephone conference, the Supervisory Board intensively addressed the strategic realignment and restructuring of the Group as well as the enlargement of the Managing Board. After comprehensive discussion, the Supervisory Board approved the Managing Board's concept.

In its meeting in April, the Supervisory Board examined in detail the annual financial statements and consolidated financial statements, together with the combined Group Management report, of plenum AG for the financial year ended 2004 and discussed them with the auditors. The 2004 financial statements of plenum AG were approved and thereby adopted by the Supervisory Board.

The Supervisory Board meeting in May, focused on the results for the first quarter 2005 and the status of the previous restructuring measures. At this meeting, we resolved to appoint

Michael Rohde and Andreas Janssen to the Managing Board of plenum AG. In addition, we dealt with the preparations for the Annual Shareholder Meeting.

In an additional meeting in June, the planning of other medium term business developments was discussed.

In its meeting in August, the focus was on the results of the second quarter and measures to increase sales performance. We also intensively addressed the risk management of the Company.

The agenda for its December 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. As part of this meeting, we dealt with the subject of Corporate Governance.

The 2005 annual financial statements of plenum AG prepared in accordance with the German Commercial Code and the 2005 consolidated financial statements prepared in conformity with International Financial Reporting Standards (IFRS) and the statutory German commercial law pursuant to Article 315a (1) HGB, together with the combined Management Report of plenum AG and the plenum Group for the financial year ended 2005 including the bookkeeping were audited by the independent accounting firm, Deloitte & Touche, and issued with an unqualified audit opinion. The financial

statements and audit reports were submitted to the Supervisory Board in a timely manner. They were reviewed by the Supervisory Board and discussed in detail in the presence of the auditors. The Supervisory Board did not raise any objections upon its review of the annual financial statements and consolidated financial statements as well as the combined Group Management Report of plenum AG.

We, therefore, concur with the auditors' findings. In its meeting on April 3, 2006, the Supervisory Board approved the 2005 consolidated financial statements and 2005 annual financial statements of plenum AG, thereby adopting them.

The Supervisory Board extends its gratitude to all employees as well as the Managing Board for their dedication over the past year, which - in light of the difficult economic situation and exceptional conditions – ensured the stable development of the Company's operating business.

Wiesbaden, April 2006

The Supervisory Board

A handwritten signature in blue ink, appearing to read "M. Bauer".

Michael Bauer  
Chairman

A nighttime cityscape featuring a dense cluster of skyscrapers with illuminated windows. In the foreground, a multi-lane highway curves through the city, with the motion of vehicles creating long, glowing streaks of light. The scene is bathed in the warm glow of streetlights and building lights, creating a vibrant urban atmosphere.

4825531

Transactions\*

\* The number of transactions which financial service provider processes per year. What the figure doesn't say is that after our advisory, this client achieves this result with less effort.

# Corporate Governance Report

The Management Board and the Supervisory Board of plenum AG resolved in 2002, in accordance with the recommendations of the German Corporate Governance Code, to implement and comply with the rules of the Code in plenum AG under consideration of the company size and the structure of the administrative functions.

The bodies of plenum AG owned the following plenum AG shares or options on 31.12.2005:

Name	Number of Shares	Number of options
Hartmut Skubch	1,891,253	50,000
Klaus Gröne	20,453	20,000
Heinz Stoll	431,500	0
Michael Rohde	0	10,000
Andreas Janssen	0	3,900
Michael Bauer	370,360	0
Dr. Wolfgang Händel	1,000	0
Norbert Rohrig	700	0

In the financial year 2005 the members of the Supervisory Boards received the following compensation for their activities:

Name	Fixed Compensation	Attendance allowance
Michael Bauer	€ 10,000	€ 6,000
Dr. Wolfgang Händel	€ 5,000	€ 6,000
Norbert Rohrig	€ 5,000	€ 6,000

In doing this, plenum AG emphasises that high priority is given to responsible management and control, which focuses on long term value creation.

## Shareholders and the General Meeting

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

Taking into account the necessary equal treatment of all shareholders, corporate information, especially ad-hoc disclosures, press announcements and

reports via the Internet are provided in German and in English language.

plenum also publishes here disclosures from shareholders on changes to voting rights as well as disclosures from the executive bodies on transactions with plenum shares. The shareholders are also informed on key dates with a financial calendar, which is published in the Company's Annual Report and on the Company website.

## Management Board and Supervisory Board

The plenum AG Management Board consisted of three members until May 2005. The Chairman is the company founder Hartmut Skubch. In order to

strengthen the Finance area and the Consulting business two new Management Board areas were created, so that the Management Board now consists of five members.

The plenum AG Supervisory Board continues to have three members. The Chairman is the company co-founder Michael Bauer.

Consulting contracts and other Service and Works contracts between a Supervisory Board member and the company have to be approved by the Supervisory Board. There is a Service

Contract with the Chairman of the Board, Michael Bauer, relating to his activity as a speaker at plenum Systems IT seminars. Furthermore, plenum AG Supervisory Board member Dr. Händel supports the company within a Consulting Contract with M&A and Finance advice.

Details of the contract and information on additional mandates of members of the Management Board and Supervisory Board are included at the end of the Notes to the Consolidated Financial Statements.

## Cooperation between the Management Board and the Supervisory Board

Our Management Board and Supervisory Board work closely and trustingly together in the interest of plenum AG. plenum AG has defined the cooperation of the Management Board and the Supervisory Board and their tasks in the respective bylaws of the bodies.

## Compensation structure of the Management Board and the Supervisory Board

The members of the Management Board receive fixed and variable compensation components. The Supervisory Board can grant the members of the Management Board stock options as a further variable compensation component in addition to fees. The criteria for compensation relate in particular to the Company's success in the previous fiscal year in addition to the tasks and performance of the members of the Management

Board, the economic situation and the future outlook for the company. No stock options were granted to the Management Board in the financial year 2005.

In accordance with § 13 of the Articles of Association, the members of the Supervisory Board receive compensation, in addition to the reimbursement of their expenses, which consists of a fixed component of EUR 5,000 and an attendance allowance of EUR 1,000. The fixed compensation for the Chairman is double the amount.

## Directors' Dealings, Directors' Holdings

In accordance with § 15a of the German Securities Trade Act the members of the Management Board and the Supervisory Board as well as other Managers are obliged to publish the acquisition and disposal of plenum AG shares as well as the related financial instruments. In the financial year 2005 we have neither received nor published any

disclosures on such transactions with plenum AG shares.

## Accounting and auditing

plenum accounting was converted from US-GAAP to International Financial Reporting Standards (IFRS) for the first time in the financial year 2005. During the financial year the company issued information in Quarterly Reports on the course of business, for which the US-GAAP directives were still used in 2005.

## plenum AG Stock Option Program

For the plenum AG Stock Option Program, the General Meeting on June 14, 2002 empowered the plenum AG Management Board to grant single or multiple option rights with the approval of the Supervisory Board for a period of five years to employees of the company as well as to members of senior management and employees of associated companies in accordance with §§ 15 ff. of the German Public

Companies Act (Aktiengesetz). For the same period of time the Supervisory Board is empowered to grant single or multiple subscription rights on bearer shares of plenum AG to members of the plenum AG Management Board.

The exercise price for the option rights is calculated from the XETRA closing price of plenum AG shares plus a surcharge of 15 %. Up to 50 % of the option rights granted can be exercised at the earliest after the minimum waiting period of 2 years after allocation. The option rights have a period of five years. The option rights become invalid after five years.

The further prerequisites for exercising the option rights also include success targets, which are based on the value of the share and the success of plenum AG.

The options which have been issued and become invalid in the financial year 2005 are listed in the table below. Further details can be found in the Notes to the Consolidated Financial Statements to the Company Annual Report.

€ thousand	Number of options
January 1, 2005	340,950
Granted	324,000
Exercised	0
Become invalid due to time or exit	-113,050
December 31, 2005	551,900

The Chairman of the Supervisory Board provides information in the plenum AG Annual General Meeting on the basic

#### Declaration of Conformity

The Management Board and the Supervisory Board have regularly addressed issues of good management and, on December 16, 2005 submitted the current Declaration of Conformity in accordance with § 161 of the German Public Companies Act. The Declaration can be found together with all earlier declarations on the plenum AG website under [www.plenum.de/investorrelations/corporate\\_governance.htm](http://www.plenum.de/investorrelations/corporate_governance.htm).

Deviations from the Code are due to the company size or structure or the size of the administrative bodies.

All recommendations of the German Corporate Governance Code in the version of May 21, 2003 were fulfilled with the exceptions as mentioned below. The recommendations of the

German Corporate Governance Code in the version of June 2, 2005 are fulfilled with the following exceptions:

The D&O insurance cover for the Management Board and Supervisory

Board members of plenum AG does not contain deductibles. As a matter of

principle plenum is of the view that

principles of the compensation system for Board members. These principles are not published in the Internet. However details can be found in the Annual Report.

In relation to this plenum AG follows the Code recommendations relating to the publication of Board member compensation by fixed components, performance-related components and long-term incentive components. The compensation of the members of the Management Board is not however

individually published.

It is principally possible to create committees within the Supervisory Board in accordance with the rules of the Supervisory Board by law. The Supervisory Board however foregoes the formation of committees due to size (three members).

plenum AG is oriented towards publishing the Annual Accounts, Annual Consolidated Accounts and the Interim Reports for cost reasons within the period of 4 or 6 months according to stock exchange law.

## Management's Discussion and Analysis

### I. Market and Industry Development

#### Significant regional differences in economic growth

World-wide economic growth slowed in

the last financial year by 1 % point

relative to the previous year level of 3 %.

There were however extensive regional differences. Whilst in Asia growth remained high, the opposite occurred in Europe. Here the trend was characterised by the stagnating domestic demand and resulting economic weakness. Real growth of the Euro-15 states, as calculated by Eurostat, was 1.5 % in 2005 relative to the previous year level of 2.3 %.

Germany remained behind the Euro-

states. According to the Federal

Statistics Office, growth of Gross

Domestic Product halved against the

previous year to 0.9 %, although

production increased more in the second half than was initially forecast.

In spite of the increased interest rate

there were favourable funding conditions and the drop in the world market price for crude oil and a devaluation of the Euro had a stimulating effect on the economic trends in the second half of

the year.

#### Weak recovery in the Consulting and Advertising industry

Following intensive cost cutting measures over the last two years, the clients in the Consulting industry are again starting to focus on innovation and investment. This had a positive impact on the demand for consulting services. In the market study published by the Federal Association of German Management Consultants (BDU) the

increase in revenue in the Consulting industry in 2005 was 7.3 % so that

the market volume increased from

EUR 12.3 billion to EUR 13.2 billion. This

meant that the market grew by more

than double in accordance with the estimates at the start of the last year.

According to the European Information Technology Observatory (EITO) from September 2005 the Professional IT Services, which also includes IT Consulting, grew by 5.9 % relative to 2004. Although the overall German economy showed higher growth rates than the Gross Domestic Product (GDP), the local market for IT services grew more quickly in comparison with the other major economies in the UK and France.

The Federal Association for the Information Economy, Telecommunications and new Media (BITKOM) forecast a growth of the ITC market of 2.6 % for 2005. The entire market, for which the volume is estimated to be EUR 134.7 billion, therefore increased as strongly in 2005 as in the previous year. Growth is however around 1 % point below the November 2004 estimates. In comparison to the other European states Germany is the largest ITC

market and shows in total slightly above average growth rates. Business was very good for software providers and IT service providers, which profited from the higher expenditure by companies in the modernisation of their IT infrastructure.

In spite of a difficult year in 2005, the German Advertising market recovered according to the estimates of the Central Association of the German Advertising Industry (ZAW) by 1 % to around EUR 30 billion and therefore missed estimates from January 2005 amounting to 2 %. Contrary to the statements of some analysts, the agencies were able to convince advertising customers, especially brand article manufacturers and service providers, of the business benefits of also advertising in economically challenging times, and were able to stabilise the weak positive trend of the previous year. In the area of classical media – which includes TV, newspapers and magazines, radio and posters – there was almost the same growth at 5.3 % as the previous year. Against the background of the rapidly growing number of possible visibility points for adverts in the Internet an increased focus of the advertising budgets towards online advertising is noticeable. With growth rates of 33 % against the previous year the double digit percentage increase of the last quarter

2004 continued. According to the evaluation by Nielsen Media Research this corresponds to gross advertising volumes of EUR 410 million in 2005.

This trend is understandable as the long term study TimeBudget12 (publisher: SevenOneMedia GmbH), which analyses the media utilisation behaviour of Germans between 14 and 49 years of age, shows a steeply rising trend in the daily use of online media.

In total the relevant markets for our business remain difficult. However they offer good opportunities for growth for our Consulting and Communications areas. The maximisation of these growth opportunities will depend on whether we succeed in addressing the right themes and trends with our service offering.

## II. Business development 2005

### Sales revenues and new orders

€ thousands	2005	2004
New orders	23,335	39,957
Of which Phoenics	3,108	17,791
Sales revenues	27,453	41,005
Of which Phoenics	8,072	17,042

New orders dropped by 41.6 % from EUR 39,957 in the previous year to EUR 23,335 and therefore dropped more significantly than sales revenues. These reduced by 33.1 % from

TEUR 41,005 to TEUR 27,453. The strong decline in the sales revenues and new orders is due to the ending of the major project Phoenics. New orders arising from that dropped by TEUR 14,683 to TEUR 3,108 whilst the revenues dropped by TEUR 8,970 to TEUR 8,072. There was a reduction in new orders of TEUR 1,939 to TEUR 20,227 and a reduction in the sales revenues of TEUR 4,582 to TEUR 19,381. Without Phoenics therefore new orders reduced significantly less than the sales revenues and is at 4.4 % above sales revenues.

The order backlog fell by 43.0 % or TEUR 4,118 to TEUR 5,460. This significant effect is also due to the Phoenics project. Further explanations on this can be found under the reports on the individual segments under point III.

Of the TEUR 27,453 sales revenues of the last financial year TEUR 987 or 3.6 % were foreign sales. The foreign revenues were primarily from Austria with 47.2 %, Switzerland 31.4 % and France 6.7 %. In the last year 1.4 % of the revenues, or TEUR 575 was foreign, of which 36.9 % came from Austria, 27.7 % from Switzerland and 8.4 % from France. The foreign business therefore increased by 72 % above the previous year.

### Sales revenues by industries

	2005	2004
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Insurance	44.5 %	56.9 %
Banks	11.6 %	6.3 %
Fashion & beauty	9.4 %	9.2 %
Food & beverage	7.2 %	3.1 %
Telecommunication	4.1 %	3.6 %
Logistics & utilities	4.0 %	4.6 %
Automotive	1.3 %	1.3 %
Others	17.9 %	15.0 %
	100 %	100 %

€ thousands	2005	2004
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Sales revenues	27,453	41,005
Cost of revenues	24,971	35,205
Gross profit	2,482	5,800

in % of revenues	9.0 %	14.1 %
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The industries in our sales revenues continue to be dominated by insurance companies, for which however the share of revenues has reduced from 56.9 % to 44.5 % due to the running down of the Phoenics project. This reduction was partly able to be compensated for by the increase in the revenue share of the banking industry. This sector showed an increase from 6.3 % to 11.6 %. As a result the banking industry again became the second strongest industry, after it had been displaced from this position in the previous year by Fashion & Beauty. The third strongest industry, Fashion & Beauty, was only able to marginally increase the revenue share from 9.2 % to 9.4 %. The fifth largest industry for the previous year, Food & Beverage, now takes fourth place due to an increase in the revenue share from 3.1 % to 7.2 % in 2005. This was especially supported by gaining a reputable new customer. There was a slight improvement in the Telecommunications

industry. In fourth place it was able to improve its position by one place relative to the previous year. For the Automotive industry there was no change to the previous year.

€ thousands	2005	2004
Sales revenues	27,453	41,005
Cost of revenues	24,971	35,205

Gross profit	2,482	5,800
in % of revenues	9.0 %	14.1 %

### Selling and marketing expenses, general and administrative expenses

€ thousands	2005	2004
Selling and marketing expenses	3,079	5,320
in % of revenue	11.2 %	13.0 %
General and administrative expenses	3,287	2,534
in % of revenue	12.0 %	6.2 %

Selling and marketing expenses increased in the last financial year by 42.1 % relative to the previous year from TEUR 5,320 to TEUR 3,079. The reduction was a result of the increase in the number of follow-on projects in 2005, which require less sales activity than new business development and a result of the significant light participation at big tenders.

General and administrative expenses amounting to TEUR 3,287 were TEUR 753 higher than in the previous year, when they still totaled TEUR 2,534. Expenses from the relocation of the Communications business into new offices in Herrenberg, the closure of the location in Düsseldorf and the job cuts in Wiesbaden were responsible for the increase.

### Research and development

€ thousands	2005	2004
Research and development expenses	430	254
in % of revenue	1.6 %	0.6 %

In the last financial year plenum invested significantly more than in the previous year in the development of new themes with TEUR 430. The research and development expenses of the previous year totaled TEUR 254. Relative to revenues research and development expenses rose from 0.6% to 1.6%.

#### Other operating income and expenses

	€ thousands	2005	2004
Financial result		161	125
Income taxes	€ thousands	59	67

Other operating income and expenses in % of revenues

931 463 The financial result increased relative to the previous year by TEUR 36 to TEUR 161. This is mainly due to the interest expenses included in the

The balance of the other operating income and expenses doubled from TEUR 463 to TEUR 931. This means that the percentage of revenues increased from 1.1% in the previous year to 3.4%. The reason for the increase is primarily the release of provisions no longer

required, which grew relative to the previous year by TEUR 620 to TEUR 816 whilst the income from the deduction of valuation allowances on receivables which were no longer required dropped TEUR 130 to TEUR 77.

#### Financial result, income taxes

	€ thousands	2005	2004
Financial result		161	125

Income taxes

59 67

Other operating income and expenses in % of revenues

3.4% 1.1% to the previous year by TEUR 36 to TEUR 161. This is mainly due to the interest expenses included in the

previous year from the tax audit, which totaled TEUR 36. In 2005 there were no more interest expenses included.

In the last financial year taxation earnings were realised, which solely arose from deferred taxes. The effec-

tive income tax quota for the group was therefore at 1.8% compared to 3.9% in the previous year. Any deferred tax asset items for existing losses carried forward were already completely depreciated in the previous financial years.

#### Group net loss, earnings per share

Earnings per share were at EUR -0.33

due to the significantly lower level of the group results relative to the previous year.

#### Cash flow

	€ thousands	2005	2004
Movements in cash and cash equivalents/ securities		-798	-1,471

plenum AG has consistently driven the Company's refocusing strategy which was launched at the start of the financial year 2005. plenum is concentrating on both core business areas

The cash flow in the group decreased again in 2005, but the decrease could be almost halved relative to the previous year. The improvement in the cash flow decrease from operational activities contributed significantly, and at TEUR -442 was reduced 58.0% on the previous year value of TEUR -1,053. Cash flow from investment activities at TEUR -338 was only slightly above the value of the previous year of TEUR -310. The cash flow from financing activities is only at TEUR -18 compared to TEUR -108 in the previous year.

#### III. Development of the Segments

Consulting and Communications and withdrawing from the pure implementation and software development business. Correspondingly the business is newly segmented for the conversion of accounting from US-GAAP to IFRS at the end of the financial year 2005. The former Communication segment is merged into the Communications segment. The Consulting segment comprises the former Consulting

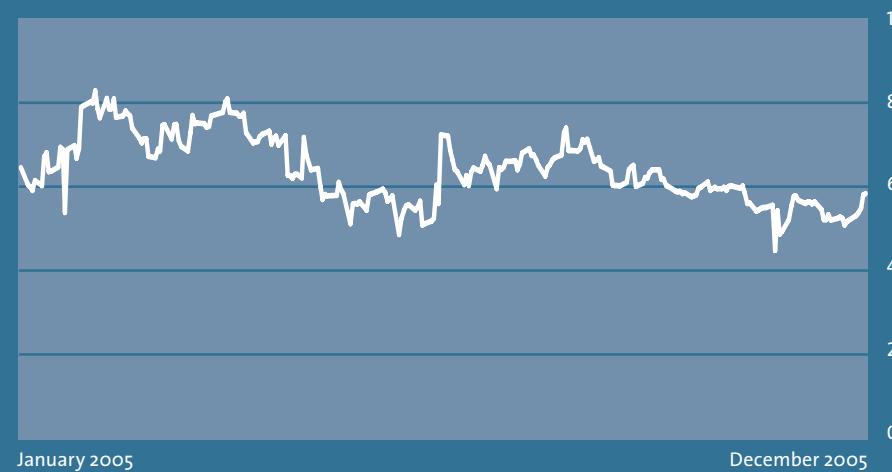
segment and the Consulting business of the former Systems segment. The Implementation segment includes the Implementation business of the former Systems segment.

The figures for the previous year were matched to the new segmentation. New orders and order backlog developed in the individual segments as follows:

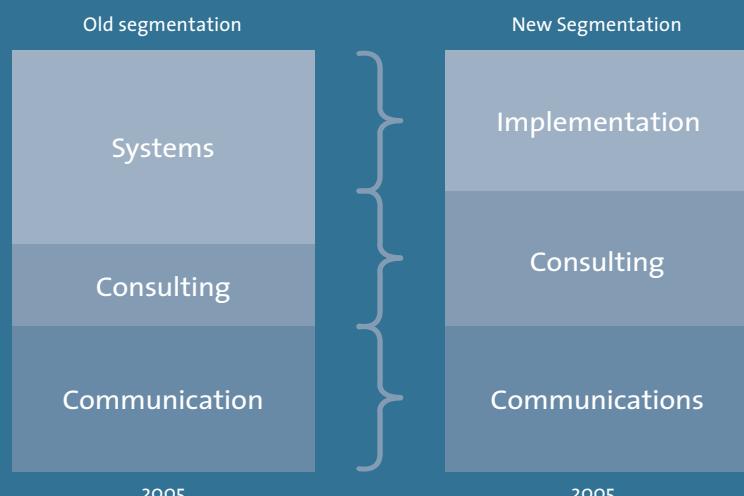
	€ thousands	Year	New orders	Order backlog <sup>1</sup>	Calculated life-span of the order backlog in months
Consulting		2005	9,562	2,235	3.3
		2004	9,065	1,674	1.7
Communications		2005	9,332	2,102	3.2
		2004	11,675	2,204	2.5
Implementation		2005	4,441	1,124	2.7
		2004	19,217	5,700	4.4
Total		2005	23,335	5,460	3.1
		2004	39,957	9,578	3.0

<sup>1</sup> At the end of period

The chart below shows the development of cash flow in the course of the financial year 2005.



#### Reconciliation of revenues from old to new segmentation



Segment reporting is presented in the table below:

€ thousands	Year	Consulting	Communications	Implementation	Total
Gross sales revenues	2005	9,366	9,692	9,018	28,076
	2004	11,359	11,988	18,155	41,502
Internal sales <sup>1</sup>	2005	364	258	1	623
	2004	258	239	0	497
Net sales revenues	2005	9,002	9,434	9,017	27,453
	2004	11,101	11,749	18,155	41,005
Depreciation and amortization	2005	– 218	– 251	0	– 469
	2004	– 282	– 307	0	– 589
Other segment expenses	2005	– 9,723	– 10,509	– 9,683	– 29,915
	2004	– 10,466	– 11,633	– 19,532	– 41,631
Segment results (EBIT)	2005	– 939	– 1,326	– 666	– 2,931
	2004	353	– 191	– 1,377	– 1,215
Internal Operating Profit (IOP) (EBITDA)	2005	– 721	– 1,075	– 666	– 2,462
	2004	635	116	– 1,377	– 626
Segment assets as at Dec. 31	2005	3,460	1,931	670	6,061
	2004	3,094	2,593	5,477	11,164
Segment liabilities as at Dec. 31	2005	– 2,035	– 2,299	– 2,691	– 7,025
	2004	– 2,824	– 1,825	– 5,838	– 10,487
Segment investments	2005	21	324	0	345
	2004	165	145	0	310

<sup>1</sup> Sales between segments

plenum uses the segment-result (EBIT) as the most important internal key figure which also serves as an indicator for sustainable profitability of a segment. The segment-EBIT is the adjusted net income before overall group costs, financial results, consolidation effects and taxes.

## Consulting

The refocusing of Management and Technology Consulting with the brands plenum Management Consulting and plenum Systems initially lead to a decline in gross sales revenues in the financial year 2005 to a total of TEUR 9,366 relative to TEUR 11,359 in the

previous year. The percentage share of total gross sales revenues rose from 27.4 % in the previous year to 33.4 %.

In the course of the corporate refocusing and the associated withdrawal from the Implementation and Software development business the consultants

with technology and implementation competence moved into the Consulting segment. Here the realisation of the training plan was begun for the further development of the capabilities of our employees in the core themes IT-Architecture and eBusiness Technologies. In addition investments were carried out in equipping technology

labs with tools and hardware, so that new, innovative technologies can be tested and customer-specific technology environments can be replicated and evaluated. The decline in revenues arising from the refocusing and the expenses of implementing the refocusing strategy, especially in the subject development and training of the consultants had significant negative impact on the results as expected. As a result the EBIT dropped from TEUR 353 in 2004 to TEUR –939. The result dropped in total but less than the decline in revenues.

New orders in 2005 at TEUR 9,562 is slightly above the previous year's new orders (TEUR 9,065) and the net sales revenues of the reporting year (TEUR 9,002). This means that, at the end of the financial year, the order backlog totaling TEUR 2,235 is 33.5 % higher than in the previous year (TEUR 1,674). The backlog has a mean calculated lifespan of 3.3 months.

## Refocusing on themes for the future

After years of cost reduction programmes, our customers started again to think of their strategies for the future in 2005. For financial service providers the focus was particularly on the industrialisation of the processes (administration of stocks and shares, payment transactions, credit processing and Customer Care Center) and their strategic IT support.

With our focused service offering:

- IT-Strategy and Business Alignment
- Customer Relationship Management and eBusiness
- IT-Efficiency and IT-Governance
- IT-Architecture and Technology Consulting

we were able to provide our customers innovative and realisable answers to their significant questions on the future and therefore contribute to their successful and sustained corporate development.

## IT-Strategy and Business Alignment

The long term care of a customer relationship network which is characterised by competence and trust and our reputation as innovative, consulting company with implementation strength were the significant success factors to be able to compete in an aggressive market against the leading strategy consultants.

Our consistent approach to have the IT strategy serving the business strategy and, at the same time, to use IT for sustained business innovation, leads to a consistent alignment of IT use and business optimisation whilst making the value proposition of IT to the company success transparent and manageable.

The fact that plenum yet again won the contract against the large Anglo-Saxon Management Consultants, to accompany the IT merger of several Austrian banks confirms our approach and our differentiation in the market, especially when it is a matter of such complex political projects.

## Customer Relationship Management and eBusiness

One of the most decisive questions for the future for our customers is related to setting up the correct system for addressing the market and for proper customer relationship management.

Large investments in CRM projects are still not noticeable. There is still frustration at the wrong investments made in the last few years in CRM projects which were solely focused on technology. However the potential for integrated CRM approaches were recognised by many top managers, because strategies and management instruments are now being discussed for a cross-channel Go To Market strategy which is being developed as a pilot and implemented in a step by step process.

With the development of a group-wide CRM strategy for one of the largest German energy suppliers and the anchoring of the strategy implementation through a CRM Scorecard for top

management, our entry into the strong growth theme of strategic Management Consulting has been a success.

#### ■ IT-Efficiency and IT-Governance

The improvement of performance of the internal IT area is essential for the effective realisation of business strategies especially for financial service providers. The analysis and capture of potential for improvement of IT efficiency has been part of our core competence since the Company was founded 20 years ago. Our range of services extends from the optimization of individual IT processes such as Service Level Management, Innovation Management or IT Controlling to the future-oriented redesign of entire IT areas (Operation and Application Development) including the legal reformation to powerful group system houses.

As a result we were able in 2005 to show the industry the way into the future with the launch of an organisational model for the IT of one of the largest German insurance companies titled "Change & Run".

The development of an IT outsourcing strategy focused on the IT strategy is essential for the achievement of high efficiency levels. Our experience in working with our Indian partner Polaris Software Lab Ltd. means that we can

systematically evaluate the offshore and nearshore options for our customers and implement them in a focused way. By developing an IT outsourcing strategy for one of the largest German capital investment companies we were already able to cut IT costs by several million Euro whilst at the same time maintaining the level of quality.

We also condense our own experience to reference models and link them to market standards such as ITIL. Based on that, we can continue to expand our market leadership position in Germany.

A management of IT which is aligned to the IT strategy presumes transparency on costs, resources and quality of the IT services. IT Governance integrates decision making and management methods with clear models and technical tools for an integral process.

With our integrated IT governance approach combined with a pragmatic IT Cockpit for one customer, for example, we were able to consistently increase the impact of IT solutions on the development of his business.

#### ■ IT-Architecture and Technology Consulting

The highly integrated IT systems of the financial service providers mean high investment and bind large amounts of capital. The quality of the IT architecture on which it is based is decisive for

the adaptability of the IT systems and therefore for the company's speed of response to market requirements. It decides on the capability for integrating innovations of IT development into the existing IT landscapes to optimise the business.

Our range of services extends from the development of technology strategies to the proof of concept with pilot implementation.

For instance, a leading company in the financial services industry is using our technology expertise in renewing the entire IT landscape, in the design of the IT architecture as well as the transfer of knowledge to their own IT personnel.

#### Communications

The profiling of the Communications business, which was already started in the financial year 2004 was consistently continued. The distribution of the business between the brands plenum stoll & fischbach and DOM was also completed under the corporate laws.

With effect as of July 1, 2005 the Cologne office of plenum Communication GmbH is spun off to the newly founded DOM Digital Online Media GmbH based in Cologne, a 100 %

subsidiary of plenum AG. With this change plenum reinforces the meaning of the strategic subject area Interactive Marketing.

The Herrenberg office of plenum Communication GmbH moved into the so called "Design-Denkfabrik" Atlantis in Herrenberg. Our agency plenum stoll & fischbach set up a cooperation in this building with the agency for industry design "frog design" and the agency for packaging design "Roman Klis Design". The cooperation is to provide access to an international network for us.

The Düsseldorf office of plenum Communication GmbH was closed until the end of the financial year 2005. The existing activities were taken over by the Herrenberg office.

With gross sales revenues totaling TEUR 9,692 the Communications business in the last financial year was below the revenue level of the previous year of TEUR 11,988. The share of the Communications business in the gross sales revenues of the group increased from 28.9 % in the previous year to 34.5 %. The loss (EBIT) of TEUR -1,326 against TEUR -191 in the previous year was significantly higher and resulted from the relocation of the Herrenberg office, the closure of the Düsseldorf office and the relocation of the Hosting Center from Herrenberg to Düsseldorf.

As a result of cost savings the decline in the EBIT was however about 50 % lower than the decline in sales revenues.

Following new orders of TEUR 11,675 in the previous year these reduced by TEUR 2,343 to TEUR 9,332. This lead to an almost unchanged order backlog of TEUR 2,102 (2004: TEUR 2,204). This backlog had a mean calculated lifespan of 3.2 months on the basis of the revenues of the fourth quarter 2005.

The development of the fee revenues (without the sales revenues generated by the Düsseldorf office) totaling TEUR 5,682 was declining in comparison with the TEUR 6,097 in 2004. Revenues in the online area developed particularly positively in the second half of the year.

In total the two Agencies were able to further reinforce the long term trusting relationships to customers and successfully expand new business development.

#### ■ Integrated brand communication

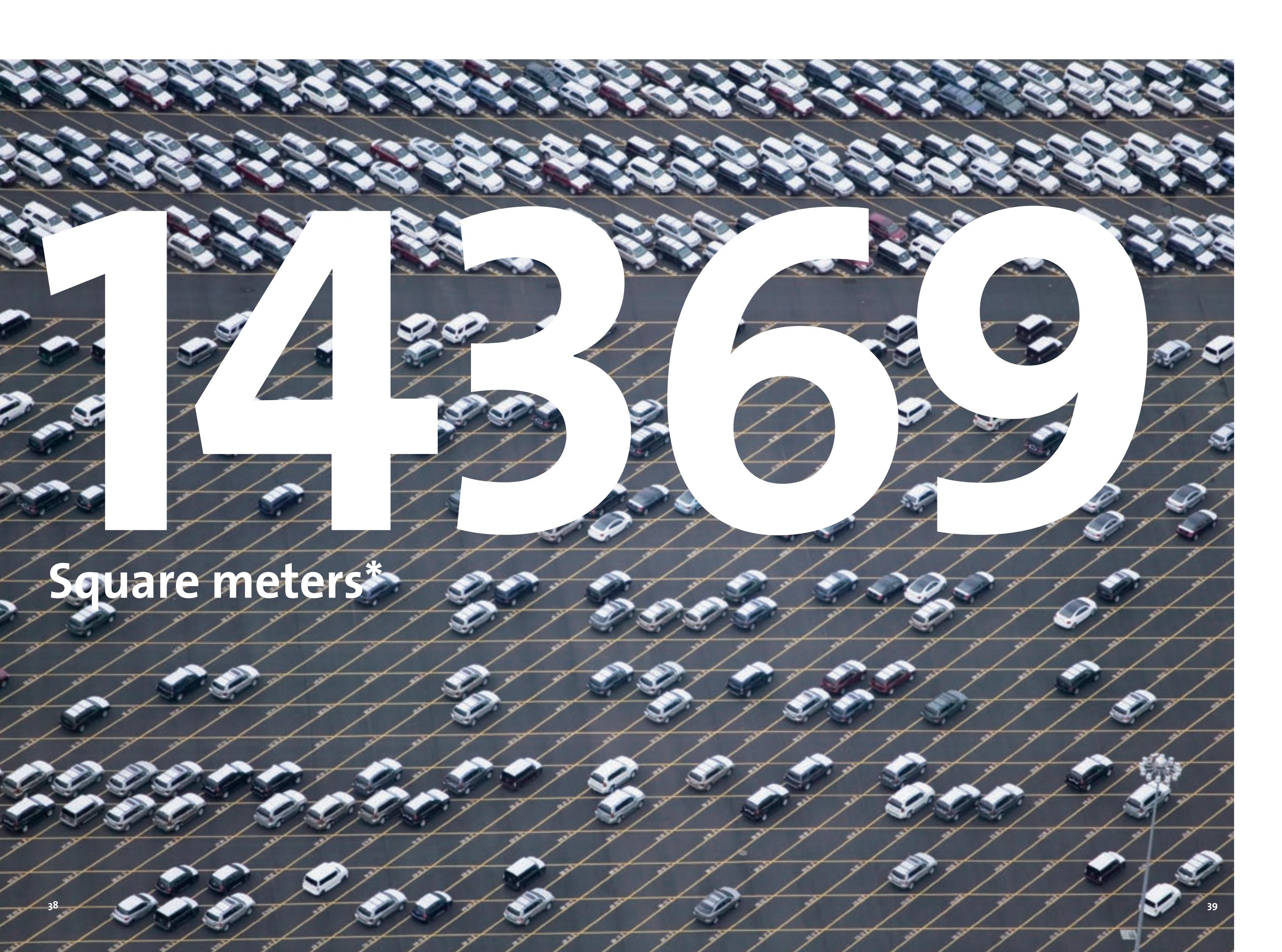
The Communications business positions itself under the brand plenum stoll & fischbach as service provider for integrated communication. We are well

positioned as Full Service Agency, to successfully solve strategic market communication tasks for our customers.

The capability to use and align many means of communication, the so called "crossmedia" competence, is a decisive criteria for the selection of an agency. Our agency reinforces this competence with the award of the German PR Prize in the financial year 2005, which it received for the design and implementation of a major event. The prize is awarded by the German Public Relations Society to companies which have realised PR concepts and communication processes with excellence.

The combination of creativity with technical expertise could be proven on winning a pitch for a travel company. The demanding task encompassed the complete relaunch of the Internet portal and the optimization of the eBusiness processes. The core of the application is the booking engine, which is completely redesigned and implemented.

The communication campaign which was launched for a French cheese exporter "Es ist nicht alles Käse in Deutschland" was a highlight for plenum stoll & fischbach in the first half of 2005. For this especially innova-



14369

Square meters\*

\* The total area of flipcharts and whiteboards served in 2005 as a basis to structure complex problems. And their solutions.

tive campaign plenum stoll & fischbach was the first and so far only agency to win the Innovation Prize "Ei des Columbus". The Innovation Trust paid tribute that "the initiative contributes in an extraordinary way to improving the mood and therefore the performance in Germany", was the Jury's justification.

#### Interactive Marketing

The profiling in the area of interactive marketing was driven by the spin-off of the Cologne office of plenum Communication GmbH at the start of the third quarter 2005. DOM develops creative media concepts for interactive communication between customers and companies via Internet or mobile phone and offers hosting solutions.

In this way DOM accompanied TV advertising spots of the telecommunications provider T-Mobile with an online campaign, which gained momentum very quickly. The fictional novel character "Chad Kroski" was awakened to life in the Internet by DOM. People from around the world could work interactively on his biography, so that a high level of distribution could be reached in a short amount of time.

The Bitburger Brauerei Th. Simon GmbH signed an advertising contract with DOM in 2005 relating to all of the brewery's online activities. This means that DOM exclusively manages all the brands of a large customer as an online agency for the first time since it has started its activities.

#### Implementation

The decision to withdraw from the pure implementation and software development business due to the drastic price erosion has been consistently followed. The gross sales revenues for implementation services reduced from TEUR 18,155 in the previous year by 50.3% to TEUR 9,018 in 2005. This meant that the

importance relative to the gross revenues of group dropped significantly from 43.7% to 32.1%. This trend can primarily be explained by the revenue decline from the large project Phoenics, which alone contributed 28.8% (2004: 41.1%) to the group gross revenues.

The impact of the withdrawal from the Implementation business can be seen even more clearly in the development of new orders compared to the previous year. A decline of 76.9% can be seen here. At the end of the last financial year the Implementation segment had an order backlog of TEUR 1,124 (2004: TEUR 5,700). On the basis of the revenues from fourth quarter 2005 there is a lifespan of the order backlog of 2.7 months.

The EBIT of TEUR -1,377 in 2004 to TEUR -666 in 2005 resulted largely from the release of provisions no longer required.

With the change in focus to more consulting services, especially the associated personnel cuts were of particular importance for plenum. Although the technology and implementation competence changed into the Consulting segment and will be retained there, the company had to reduce the head count significantly jobs which had a negative impact on results due to the redundancy payments which had to be made to employees.

After successful acceptance of the services from the contracts for specified services (Werksverträge) in the large project Phoenics, plenum was initially commissioned for the second half of the year with further development and maintenance activities.

#### IV. Assets and Financial Position

The reserves of cash and cash equivalents / securities reduced at the end of the financial year 2005 by TEUR 798 or 12.0% relative to the previous year to TEUR 5,834.

There was a significant reduction in trade accounts receivable of a total of TEUR 5,859 to TEUR 3,464. The decline

is primarily due to the fact that the contracts for specified services (Werksverträge) within the large project Phoenics were completed, billed and paid in the financial year 2005.

On the liabilities side the current provisions reduced by TEUR 2,439 to TEUR 3,747, primarily due to the use and release of provisions for outstanding invoices from the Phoenics project, for which no new provisions were made.

Equally a significant reduction of TEUR 1,005 to TEUR 858 can be observed in the trade accounts payable.

The reduction in net liquidity (liquid funds minus short term bank liabilities and advance payments received) to TEUR 5,477 (12/31/2004: TEUR 6,434) reduced more than cash flow, as the

advance payments received of TEUR 339 increased against the previous year by TEUR 180.

For the prepaid expenses and other short term assets there was only insignificant change relative to the previous year.

The investing activities of the group remains conservative. Investments in software and fixed assets totaling TEUR 358 remained constant. Primarily replacement investments were made in 2005 there was investment made as planned in the further expansion and relocation of the Hosting Center from Herrenberg to Düsseldorf. Equally, due to the relocation into the new building (Atlantis) of the Herrenberg office of plenum Communication GmbH. The investment intensity (investment assets relative to total assets) increased

as a result of the decline in the balance sheet total from 15.2% to 21%. Alongside the required replacement investments in 2006 there are no significant investments planned.

The personnel and value added tax liabilities in the other current liabilities significantly reduced relative to the previous year by TEUR 547 to TEUR 528. The total current liabilities are completely covered by liquid assets (106%; 12/31/2004: 71%).

The non-current liabilities increased relative to the previous year only marginally by TEUR 10 to TEUR 1,677. The change is primarily due to the adaptation of the pension provisions.

#### plenum AG

plenum Management Consulting® GmbH Wiesbaden	plenum Systems® GmbH Wiesbaden and Leinfelden	plenum Communication GmbH Herrenberg	DOM Digital Online Media® GmbH Cologne
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#### plenum Institut® Wiesbaden

Organizational structure of the plenum Group as of March 2006

The equity ratio dropped relative to the previous year from 43.1% to 42.0% and is therefore still at a high level. The reduction of the equity ratio arises from the reduction in equity by the net loss of TEUR 3,163 to TEUR 5,184. The long term financial position (the ratio of non-current assets to non-current capital) totaled 0.4 in comparison with 0.3 in the previous year. The current financial position (the ratio of current assets to current capital) increased from 1.7 in the financial year 2004 to 1.8.

**V. plenum AG**

As the parent company of the plenum group, plenum AG serves as the Group's management holding company. The business of plenum AG is largely generated by its affiliates plenum Management Consulting GmbH, plenum Communication GmbH, plenum Systems GmbH and DOM Digital Online Media GmbH, which was founded on May 24, 2005. There are control and profit transfer agreements with all four companies. The affiliated companies obtain central services from plenum AG, for example, accounting, personnel administration, travel and fleet management, public relations and marketing. Furthermore the companies are included in the plenum AG cash pool. All the Group's cash is managed by the central Cash Management system

of plenum AG. As a result the cash and cash equivalents/securities of plenum AG, which are almost the same as the reserves in the Group, increased by TEUR 899 to TEUR 5,731.

The business development, situation and risk of the parent company largely match those of the Group.

In the last financial year plenum AG offset a loss of TEUR 304 from plenum Management Consulting GmbH, a loss of TEUR 1,176 from plenum Systems GmbH, a loss of TEUR 1,111 from plenum Communication GmbH and a loss from DOM GmbH totaling TEUR 247.

Consequently the offset loss from the four subsidiaries was a total of TEUR 2,838 and is TEUR 1,568 higher than in the previous year. The subsidiaries declared to distribute their capital reserves to plenum AG. The distributions, which amount to TEUR 1,651, are acquisition cost reductions and were simultaneously booked against the affiliate book values. Furthermore, there was an income from investments of TEUR 191. Parallel hereto on the basis of an actual analysis of the capitalized earnings value the book values were written up to the value of the acquisition costs or the lower attributable value accounting. Due to this, an

income from the write-up was realized in the amount of TEUR 1,796.

In total plenum AG in 2005 realised losses of TEUR 1,096 in 2005. This meant that accumulated deficit increased in the individual plenum AG financial statements to TEUR 3,480. plenum AG stockholders' equity totals TEUR 7,085 and is below the level of the previous year. The accumulated deficit situation could not yet be solved. Total stockholders' equity amounts to 74% of the stock of plenum AG.

As there is no capital of plenum AG to be paid out, no profit appropriation recommendations were prepared.

For the book values of the investments in the affiliates of plenum AG amounting to TEUR 2,088 sustainable future profits of the named companies are decisive.

The organisational integration of the four affiliated companies into plenum AG is emphasised by the personnel union of the management with the Executive Board of plenum AG. This was extended by two further members at the start of the second half 2005, in order to reflect the organisational changes arising from the refocusing strategy. As consulting intensive

themes have again become the focus of the Company, the former Managing Director of plenum Management Consulting, Michael Rohde, was nominated to the Executive Board, in order to expand the Consulting segment more intensely in this role. In addition the Finance division is again independently represented in the Executive Board in the future. For this purpose Andreas Janssen, who has been with plenum for six and a half years, last in the role of the Head of Finance, was nominated as Chief Financial Officer. With these changes the Executive Board has been extended with people who have had several years of management responsibility within the Company.

With this adaptation of the structure of the Executive Board, plenum reinforces the focus on the operations business and sales without having to increase the size of the management team.

## VI. Employees

On December 31, 2005 the number of employees in the plenum group was 195. Relative to the level at the end of the previous year of 242 employees, this means that there was a reduction in total of 19.4%. On the average 221 staff were employed in the last financial year (2004: 256). Due to the redundancies announced at the end of May fluctuation rose significantly in the second half of the past financial year and is for the full year at 24.0% significantly above the previous year level of 13.3%.

Personnel expenses in the financial year 2005 decreased relative to the previous year by 12.4% to TEUR 15,951. The personnel cost ratio relative to revenue

## VII. Corporate Governance

The Management Board and the Supervisory Board of plenum AG resolved on December 16, 2005 to issue the Declaration of Conformity to the recommendations of the government commission of the German Corporate Governance Code in accordance with §161 of the German Public Companies Act (Aktiengesetz) and to make it permanently available to the shareholders of plenum AG in the Internet. They declared that they are largely following the Code 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 risks early and to recognise and avoid possible risks. Risk management is an integral part of business processes and corporate decisions and is linked into internal reporting. The entire Management Board bears direct responsibility for the early identification and control of risk. Operational risk management is

<p>conducted primarily by the Finance division of plenum AG and the affiliated companies.</p>	<p>Dependence on a single large customer reduced significantly in 2005 on the basis of a lower share of revenue of 29.4% (2004: 41.6%). The revenue</p>	<p>from the two largest customers and in the Communications it was 16.6% (2004: 21.9%). In Implementation 89.5% (2004: 93.9%) of revenues were</p>	<p>from the largest customer. Consulting achieved in 2005 67.2% of net sales revenue with the top ten customers compared to 74.1% in the previous year and the Communications business achieved 57.1% (2004: 59.4%).</p>	<p>which will first have the full impact on earnings and liquidity in 2006. Strict cost reductions continue to have highest priority in times of economic trends which are difficult to project. The senior management focus is still on maintaining the company's financial independence. Professional central cash and receivables management and a short term and risk free investment strategy support this objective.</p>	<p>There are no significant risks from undecided legal disputes beyond the existing provisions.</p>	<p>A trend towards more investment has been noticeable for several months in companies in Germany.</p>
<p>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 through the central cash management at Group level. A special focus here is on the financial risks, on the optimisation of corporate financing and on the market risks, where especially price changes, payment and liquidity risks as well as risks from cash flow fluctuations are recorded. The risk monitoring also covers the planning, execution and success reviews of suitable countermeasures.</p>	<p>share of this key customer will continue to reduce in 2006 as planned. This means that the dependence on the large customer and the resulting risk for the Group will be reduced correspondingly. The countermeasures to address the risk arising from this lower revenue level were already initiated in 2005. As a result of the refocusing strategy the concentration was placed on both the core components of Consulting and Communications business. With the clear differentiation from the competition and by using and further developing our strengths, particularly the business in IT Management Consulting will continue to strengthen as in 2005, in order to offset the reduced revenue shares.</p>	<p>The measure of reducing the volumes of work to be carried out within contracts for specified services (Werksverträge) and instead to bill via service agreements, is to be continued in 2006. plenum addresses the remaining risks with the design of the contracts, qualified project management and detailed project controlling.</p>	<p><b>Financial risks</b></p> <p>As in the previous year there was a reduction in cash flow. This totals TEUR -798 (2004: TEUR -1,471). In order to limit the liquidity risk investments, recruitment of employees and running expenses continue to be strictly budgeted and systematically monitored. Additionally adaptation measures in the personnel level were already carried out in 2005 as a result of the running down of the large project,</p>	<p>Precautionary measures are taken within the balance sheet for existing credit risks to the extent that the risks are probable. In general the broad customer base ensures a relatively small risk from this area. Active debt management including debt collection measures mean a further reduction of insolvency risk. Value adjustments of TEUR 122 are made to address the risk of losses from bad debt (12/31/2004: TEUR 165).</p>	<p><b>Total risk</b></p> <p>In summary it should be stated that, currently for plenum economy risks, dependence on the development of certain industries and the more intense expansion of IT Management Consulting are of importance. Based on the risk analysis, the probability estimation and the countermeasure impact evaluation, management is of the view that there are today no risks which could threaten the existence of plenum AG and its subsidiaries.</p>	<p></p>
<p>Risk management is continuously further developed and adapted to the current requirements within the annual strategy and planning meetings and in the monthly divisional meetings.</p>	<p>The revenue share of the ten largest customers has reduced due to the lower revenues from large customers from 66.4 % to 55.9%.</p>	<p></p>	<p><b>IX. Outlook</b></p>	<p><b>Economic prospects</b></p> <p>The forecasts for the economy for the current financial year are optimistic. The Office of Statistics for the EU (Eurostat) assumes for 2006 from real year on year growth of 2 % in the Gross Domestic Product of the 15 Euro states. Contrary to the conservative forecast of 1.4 % by the German government, economic growth in Germany is predicted to be between 1.5 % and 2 % according to various economic institutions. Special effects such as the World Cup and the VAT increase expected in 2007 can lead to an increase in the demand from private households.</p>	<p></p>	<p></p>
<p><b>Market risks</b></p>	<p></p>	<p></p>	<p><b>Further risks</b></p>	<p></p>	<p></p>	<p></p>
<p>plenum's business activities expose it to typical business risks such as decline in demand, price pressures and credit risks, for example. Due to the worsening of the economic situation plenum was partly subject to intense price pressure from the competition.</p>	<p>Due to the large project business there is also partially a dependence on individual large customers from a segment perspective. In total the dependence has however been significantly reduced relative to the previous year. In Consulting 26.5% (2004: 40.2 %) of the net sales revenues in the last financial year (without revenues with other segments) was</p>	<p></p>	<p>The strength of our company is the performance of our employees. In order to compete with other companies it is necessary to ensure the loyalty of highly qualified specialists. Short and long term incentive models and comprehensive qualification measures are being deployed to address this issue.</p>	<p></p>	<p>The Central Association for the German Advertising Industry (ZAW) published optimistic growth rates of 2 % for the advertising market in the current year. The increase in the number of job</p>	<p></p>

advertisements serves as indicator for this trend. The General Association of Communication Agencies GWA however ascertained in a survey of the member agencies that these anticipate moderate growth rates and high price pressure for 2006.

#### Refocusing on the Consulting business

In the managements forums organised by plenum for banks, insurance companies and IT Management (CIOs) the tendency was clearly confirmed to again contemplate strategies and their implementation and reinforced by actual projects.

For banks and insurance companies particularly the process industrialisation and strategic orientation of sales were the focus.

Especially for the implementation of these strategies IT has to provide the business value.

With our service focus in Consulting

- IT-Strategy and Business Alignment
- Customer Relationship Management and eBusiness
- IT-Efficiency and IT-Governance
- IT-Architecture and Technology Consulting

we concentrate exactly on these themes for the future for our customers.

We therefore assume in our mid-term planning that there is qualitative and quantitative growth in Consulting.

The last months have shown that our customers welcome our refocusing strategy and reward us with strategic implementation tasks.

From a subject matter perspective we have occupied a lucrative niche as focused strategy implementer between the large English-speaking consulting companies and the IT companies which are focused on Implementation.

We can differentiate ourselves to the IT system providers by our neutrality and Consulting is our core business.

To the strategic consultants we differentiate ourselves with an integral method which is focused upon implementation and by a change management competence which is borne by consultant personalities and corporate culture. Our customers rely on our high level of technology competence in the IT area, a core competence which has been nurtured for 20 years

#### Profile brands – Strengthen Communications business

The clear profiling of both of the Agency brands will further strengthen the positioning of our Communications business.

Integrated brand communication as core competence at plenum stoll & fischbach is increasingly becoming a competitive advantage in the established markets Beauty & Fashion and Food & Beverage. To do this, plenum stoll & fischbach has excellent and long term references and offers the complete chain of services from the development of creative communication concepts to the innovative realisation via all communication channels. Integrated brand communication requires the focused combination of various competences, which has been a skill for plenum stoll & fischbach for many years, and gives us significant competitive advantage.

Interactive marketing, the core competence of DOM (Digital Online Media) reaches the excellent marketing potential of mobile communication through market oriented solutions. Companies wanting to enhance their customer relationships and focus their

services via interactive communication with their end customers are increasingly turning towards interactive marketing solutions. We are right at the beginning of this trend and expect significant growth in demand in the next years.

#### Outlook

The realisation of our refocusing strategy also requires in 2006 considerable effort. The withdrawal from the Implementation business, which still represented almost a third of the total sales revenue, will continue to take place in a step by step process due to the existing agreements with customers and be largely completed by the end of the financial year 2006. We will

simultaneously invest in the refocusing and strengthening of the Consulting business. We adapt the skills profile of our consultants to the themes in demand and invest in education, growing new expertise and extending the market presence of Consulting.

Both the withdrawal and the investment will still continue to have a negative effect on the financial year 2006 – even if less than in 2005 – but will ensure achievement of our most important goal, which is the return to profits in 2007.

This is how sales revenues of the Group will again drop in the financial year 2006. In parallel we will go on growth course with the high margin Consulting business when demand picks up.

#### X. Events After the Balance Sheet Date

With the approval of the Supervisory Board on March 21, 2006, both loans of Hartmut Skubch on the amount of TEUR 1,000 plus interests have been extended until September 30, 2007.

738213

Contacts\*

\* As measured in telephone calls, e-mails, letters, faxes, and personal conversations in 2005. Evidence that we are there for our clients – every day, around the clock – to answer any question.

## Consolidated Income Statement

€ thousands	Note	2005	2004
Sales revenues	7	27,453	41,005
Cost of revenues	8	-24,971	-35,205
<b>Gross profit</b>		<b>2,482</b>	<b>5,800</b>
Selling and marketing expenses	9	-3,079	-5,320
General and administrative expenses	10	-3,287	-2,534
Research and development expenses	11	-430	-254
Other operating income and expenses	12	931	463
<b>Operating result</b>		<b>-3,383</b>	<b>-1,845</b>
Financial result	13	161	125
<b>Result from continuing operations before income taxes</b>		<b>-3,222</b>	<b>-1,720</b>
Income taxes	14	59	67
<b>Net loss</b>		<b>-3,163</b>	<b>-1,653</b>
Earnings per share (in €, diluted and undiluted)	15		
from continuing operations		-0.33	-0.17
from net loss		-0.33	-0.17
Average number of shares outstanding in circulation (in thousands, diluted and undiluted)		9,577	9,577

## Consolidated Balance Sheet

Assets	Note	Dec. 31, 2005	Dec. 31, 2004
€ thousands			
Cash and cash equivalents/securities	16	5,834	6,632
Trade accounts receivable	17	3,464	9,323
Inventories	18	60	81
Prepaid expenses and other current assets	17	337	311
<b>Total current assets</b>		<b>9,695</b>	<b>16,347</b>
Property, plant and equipment	19	1,067	1,266
Intangible assets	19	244	445
Financial assets	19	123	118
Loans	19	1,157	1,107
Deferred tax assets	14	65	27
<b>Total non-current assets</b>		<b>2,656</b>	<b>2,963</b>
<b>Total assets</b>		<b>12,351</b>	<b>19,310</b>
Liabilities and stockholders' equity			
€ thousands	Note	Dec. 31, 2005	Dec. 31, 2004
Current portion of long-term debt	20	18	18
Trade accounts payable	20	858	1,863
Advance payments received	20	339	180
Current provisions	21	3,747	6,186
Other current liabilities	20	528	1,075
<b>Total current liabilities</b>		<b>5,490</b>	<b>9,322</b>
Long-term debt	20	44	62
Deferred tax liabilities	14	8	29
Non-current provisions	21	855	855
Pension provisions	22	770	721
<b>Total non-current liabilities</b>		<b>1,677</b>	<b>1,667</b>
Capital stock	23	9,577	9,577
Capital reserves		14,177	14,151
Treasury stock	23	-83	-83
Accumulated deficit		-18,487	-15,324
<b>Total stockholders' equity</b>		<b>5,184</b>	<b>8,321</b>
<b>Total liabilities and stockholders' equity</b>		<b>12,351</b>	<b>19,310</b>

## Consolidated Cash Flow Statement

€ thousands	note	2005	2004
Group net loss		-3,163	-1,653
Depreciation and amortization		678	796
Income taxes		59	-67
Results from the disposal of intangible assets and property, plant and equipment		61	-12
Financial result		-162	-125
Other non-cash expenditures and income	30	20	-6
<b>Changes in working capital</b>			
Change in inventories		20	205
Change in receivables		5,859	-2,369
Change in prepaid expenses and other current assets		-26	907
Change in trade accounts payable		-1,005	197
Change in other liabilities		-388	14
Change in provisions		-2,390	1,013
Change in other assets and liabilities		-88	-129
Proceeds from interest		80	84
Proceeds from dividends		3	5
Proceeds for income taxes		0	87
<b>Cash flows used for operating activities</b>		<b>-442</b>	<b>-1,053</b>
Proceeds from the disposal of intangible assets and property, plant and equipment		20	41
Payments for purchase of intangible assets and property, plant and equipment		-358	-351
<b>Cash flows used for investing activities</b>		<b>-338</b>	<b>-310</b>
Repayment of loans		-18	-108
<b>Cash flows used for financing activities</b>		<b>-18</b>	<b>-108</b>
<b>Movement in cash and cash equivalents/securities</b>		<b>-798</b>	<b>-1,471</b>
Cash and cash equivalents/securities at the beginning of the period		6,632	8,103
Cash and cash equivalents/securities at the end of the period <sup>1</sup>		5,834	6,632

<sup>1</sup> Cash and cash equivalents/securities comprise cash and cash equivalents of TEUR 3,548 (12/31/2004: TEUR 6,632) and securities of TEUR 2,286 (12/31/2004: TEUR 0)

## Statement of Changes in Stockholders' Equity

€ thousands	Number of shares in thousands	Net loss	Capital stock	Capital reserves	Treasury stock	Accumulated deficit	Total stockholders' equity
January 1, 2004	9,577		9,577	14,151	-83	-13,671	9,974
Net loss		-1,653				-1,653	-1,653
December 31, 2004	9,577		9,577	14,151	-83	-15,324	8,321
January 1, 2005	9,577		9,577	14,151	-83	-15,324	8,321
Stock Options				26		26	26
Net loss		-3,163				-3,163	-3,163
December 31, 2005	9,577		9,577	14,177	-83	-18,487	5,184

## Segment Information

€ thousands	Year	Consulting	Communications	Implementation	Total <sup>2</sup>
Gross sales revenues	2005	9,366	9,692	9,018	28,076
	2004	11,359	11,988	18,155	41,502
Internal sales <sup>1</sup>	2005	364	258	1	623
	2004	258	239	0	497
Net sales revenues	2005	9,002	9,434	9,017	27,453
	2004	11,101	11,749	18,155	41,005
Depreciation and amortization	2005	-218	-251	0	-469
	2004	-282	-307	0	-589
Other segment expenses	2005	-9,723	-10,509	-9,683	-29,915
	2004	-10,466	-11,633	-19,532	-41,631
Segment results (EBIT)	2005	-939	-1,326	-666	-2,931
	2004	353	-191	-1,377	-1,215
Internal Operating Profit (IOP) (EBITDA)	2005	-721	-1,075	-666	-2,462
	2004	635	116	-1,377	-626
Segment assets as at Dec. 31	2005	3,460	1,931	670	6,061
	2004	3,094	2,593	5,477	11,164
Segment liabilities as at Dec. 31	2005	-2,035	-2,299	-2,691	-7,025
	2004	-2,824	-1,825	-5,838	-10,487
Segment investments	2005	21	324	0	345
	2004	165	145	0	310

<sup>1</sup> Sales between segments

<sup>2</sup> Reconciliation to Group net results and Group assets under note 31



# 8160

**Workshop minutes\***

\* The amount of time one of our consultants needed to guide 25 executives in developing the key parameters for a customer-oriented organization.

# 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") have been prepared for the first time in conformity with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) of the International Financial Reporting Interpretations Committee (IFRIC).

The first time adoption of IFRS has been performed. Any elections selected have been explained in the designated Note number.

It was decided to make use of the provisions under Article 264 Para. 3 of the German Commercial Code (HGB) for plenum Management Consulting GmbH, Wiesbaden, plenum Systems GmbH, Wiesbaden, plenum Communication GmbH, Herrenberg, and DOM Digital Online Media GmbH, Cologne, for the financial year 2005.

### 2. Group of consolidated companies

All subsidiaries in which plenum holds, directly or indirectly, the majority of voting rights (affiliated companies) are fully consolidated. Because of the spin-off of "DOM" from plenum Communication GmbH, Herrenberg, to the newly formed company, DOM Digital Online Media GmbH, Cologne, of plenum AG as at July 1, 2005, the number of affiliated companies increased from three to four. Since the spin-off represents a reclassification within the Group, there are no affects on the results of the consolidated financial statements.

An overview of all affiliated companies and other investment companies at the balance sheet date is attached as an exhibit to the notes.

### B. General consolidation, accounting and valuation principles

#### 3. Transition from US-GAAP to IFRS

There were neither in 2005 nor in 2004 effects from transition from US-GAAP to IFRS in equity or profit or loss.

#### 4. Consolidation principles

The annual financial statements of the affiliated companies are included in the consolidated financial statements in conformity with IFRS and in accordance with the uniform accounting and valuation methods as applied by plenum AG. IFRS 3 Business Combinations is not required to be applied retrospectively to business combinations incurred before the date of transition to IFRS in accordance with IFRS 1 First Adoption of International Accounting Standards. plenum has elected this option. The classification of a business combination according to US-GAAP is also respectively maintained. 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 com-

pany 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 impairment tests performed, if the carrying value of goodwill exceeds the present value of the expected inflows from the asset. Under the pooling of interests method, the investment amount of the parent company is offset against the capital stock of the subsidiary. Incidental acquisition costs are recorded with an impact on result. Goodwill does not arise under this method.

Shares in other investments are measured at fair values and classified as securities available-for-sale, if the fair values can be reliably measured. Where the fair values cannot be sufficiently measured for unlisted financial assets, the shares are measured at cost.

Revenues, receivables and payables as well as expenses and income and interim results from intragroup transactions are eliminated. Any intercompany differences arising from the consolidation of intercompany balances are offset with an impact on result. Deferred taxes are recognized on consolidation transactions for temporary differences that will reverse at a later date.

## 5. Currency translation

The annual financial statements as of December 31, 2005 exclusively comprise domestic companies using the Euro as the functional currency. Assets and liabilities denominated in foreign currencies are translated at the closing rate. Translation differences are reported in the income statement.

## 6. Use of estimates

The preparation of consolidated financial statements requires the use of estimates and assumptions that may affect the reported amounts of assets, liabilities, disclosure of contingent liabilities as of the balance sheet date 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:

Deferred tax assets are also recorded for tax loss carry forwards. In case there is doubt regarding the use of the loss carry forward, a corresponding write-down is made to the deferred tax assets.

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.

## C. Notes to the Consolidated Income Statement

### 7. Sales revenues

Under IFRS, 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 order for Specified Services Contracts and increases revenues by the corresponding amount.

### 8. Cost of revenues

Cost of revenues comprises total production costs incurred on services rendered for the year under review. Besides directly attributable costs such as costs for purchased services and personnel costs, this also includes overhead costs and depreciation.

### 9. Selling and marketing expenses

Selling and marketing expenses comprise all costs for activities that do not directly increase the value of services rendered by the company, but serve to assure sales. This position mainly contains marketing costs and costs for preparing and presenting proposals.

### 10. General and administrative expenses

General and administrative expenses comprise all expenses attributable to administration and not directly attributable to the production or selling process. This includes personnel and material costs for Group monitoring, human resources, purchasing, accounting and IT.

## 11. Research and development expenses

Research and development expenses are expensed as incurred, provided that no significant costs were incurred in the period between technological availability and market maturity.

## 12. 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	2005	2004
Income from the release of provisions	816	195
Income from the reduction of valuation allowances on receivables	77	207
Other	71	100
	964	502

The income from the release of provisions relates to personnel provisions in the amount of TEUR 114 (2004: TEUR 81), outstanding invoices in the amount of TEUR 630 (2004: TEUR 66) and other provisions in the amount of TEUR 64 (2004: TEUR 38).

### Other operating expenses

Other operating expenses total TEUR 33 (2004: TEUR 38).

### 13. Financial result

The financial result comprises the following positions:

€ thousands	2005	2004	Deferred tax assets and deferred tax liabilities arise from timing differences in the following balance sheet positions:
Income from investments	3	5	
Income from other securities and loans	50	50	
Other interest and similar income	125	134	
Interest and similar expenses	-17	-64	
	161	125	

Other interest and similar income primarily relates to interest from cash deposits and current time deposits and securities. As in the prior year, interest expenses contain costs incurred for the closure of the Channeling business segment in the amount of TEUR 14 in 2002.

Due to the transitions from US-GAAP to IFRS, the previous year amounts were reclassified.

### 14. Income taxes

Income taxes of the Group are broken down as follows

€ thousands	2005	2004	As of December 31, 2005, tax net operating loss carry forwards consist of TEUR 21,869 (12/31/2004: TEUR 18,661) for corporate income taxes and TEUR 24,395 (12/31/2004: TEUR 21,189) for trade taxes. 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.
Current taxes	0	-26	
Deferred taxes	59	93	
<b>Total income taxes</b>	<b>59</b>	<b>67</b>	

Deferred taxes are recognized for all temporary differences that will reverse between German tax accounting principles and IFRS. 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 on the deferred tax assets.

In relation to the Group results before income taxes, the effective tax rate for the reporting year was 1.8% (2004: 3.9%). 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, the solidarity tax rate of 5.5% and the trade tax rate of 17.6%.

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.

### D. Notes to the Consolidated Balance Sheet

#### 16. Cash and cash equivalents/securities

€ thousands	2005	2004
<b>Net loss before income taxes</b>	<b>-3,222</b>	<b>-1,720</b>
Expected taxable income	1,308	698
Taxes arising from external tax field audit	0	-3
Deferred tax income on loss carry forwards	0	1,149
Valuation allowance on deferred tax assets	-1,302	-1,887
Taxes on tax-exempt income and non-deductible expenses	50	109
Other	3	1
<b>Income taxes</b>	<b>59</b>	<b>67</b>

€ thousands	Dec. 31, 2005	Dec. 31, 2004
Cash and cash equivalents	3,548	6,632
Securities	2,286	0
	5,834	6,632

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

Securities held as short term investments are measured at fair value as of the balance sheet date. This includes short term money deposits in a money market fund (TEUR 2,038) and in open real property funds (TEUR 248).

### 15. Earnings per share

The earnings per share are calculated by dividing the Group results by the weighted average number of ordinary shares issued during the period. Earnings per share have diluting effects when the average number of shares increases by addition of potential ordinary shares issued from option rights.

In 2005, option rights were issued to the employees. Earnings per share have diluting effects when the average stock price during the financial year is larger than the exercise price of the option rights. For the financial year 2005 there were not any diluting effects by option rights issued in 2005.

## 17. Receivables and other assets

Receivables are measured at nominal values. Receivables include unbilled sales from projects on a fixed price basis plus a profit mark-up corresponding to its stage of completion less corresponding advance payments received.

In case the collectibility of receivables is doubtful, such accounts are recognized at the lower realizable value. In addition to the necessary individual valuation allowance for bad debts, a general valuation allowance is created for recognizable risks arising from general credit risks.

Trade accounts receivable are broken down as follows:

€ thousands	DEC. 31, 2005	DEC. 31, 2004
Trade accounts receivable	3,549	6,385
Future receivables from project services that have not yet been invoiced	37	3,103
Allowances for bad debts	-122	-165
	<b>3,464</b>	<b>9,323</b>

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

€ thousands	DEC. 31, 2005	DEC. 31, 2004
Tax receivables	65	99
Prepaid expenses	212	167
Other	60	45
	<b>337</b>	<b>311</b>

The prepaid expenses are determined according to proper deferral of expenses for the period.

## 18. Inventories

This position mainly comprises project costs that could not have yet been invoiced.

Additions to 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. The values on the following balance sheet dates are determined from the lower of the amortized cost and the net selling price as of the closing date.

## 19. Non-current assets

The development of intangible assets and property, plant and equipment is presented in the table below:

€ thousands	Intangible assets	Leasehold improvements	Plant and office equipment	Total property, plant and equipment
Acquisition costs at Jan. 1, 2004	2,437	1,121	7,728	8,849
Additions	90	0	262	262
Disposals	0	0	-862	-862
Reclassification	0	9	-9	0
<b>Acquisition costs at Dec. 31, 2004</b>	<b>2,527</b>	<b>1,130</b>	<b>7,119</b>	<b>8,249</b>
Accumulated depreciation at Jan. 1, 2004	1,818	683	6,602	7,285
Additions	264	113	419	532
Disposals	0	0	-834	-834
Reclassification	0	4	-4	0
<b>Accumulated depreciation at Dec. 31, 2004</b>	<b>2,082</b>	<b>800</b>	<b>6,183</b>	<b>6,983</b>
<b>Net book value at Dec. 31, 2004</b>	<b>445</b>	<b>330</b>	<b>936</b>	<b>1,266</b>
Acquisition costs at Jan. 1, 2005	2,527	1,130	7,119	8,249
Additions	22	90	246	336
Disposals	-45	-53	-2,168	-2,221
Reclassification	1	40	-41	-1
<b>Accumulated depreciation at Dec. 31, 2005</b>	<b>2,505</b>	<b>1,207</b>	<b>5,156</b>	<b>6,363</b>
Accumulated depreciation at Jan. 1, 2005	2,082	800	6,183	6,983
Additions	220	111	347	458
Disposals	-42	-47	-2,097	-2,144
Reclassification	1	12	-13	-1
<b>Accumulated depreciation at Dec. 31, 2005</b>	<b>2,261</b>	<b>876</b>	<b>4,420</b>	<b>5,296</b>
<b>Net book value at Dec. 31, 2005</b>	<b>244</b>	<b>331</b>	<b>736</b>	<b>1,067</b>

Purchased intangible assets are measured at cost and amortized on a systematic straight-line basis over their estimated useful lives, if definite.

Property, plant and equipment with definite useful lives are measured at cost and depreciated on a straight-line basis over their estimated useful lives.

Intangible assets and property, plant and equipment are subject to impairment tests as of the balance sheet date, when the recoverable amount of the asset is below the asset's net carrying value. The asset's recoverable amount is the higher of an asset's net selling price and its value in use.

The estimated useful lives within the Group are as follows:

	2005
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:

	2005	2004
Software and licenses	5,8	5,7
Patent rights	10,0	10,0
Leasehold improvements	8,6	8,6
Hardware	4,4	4,8
Plant and office equipment	10,1	10,0

The financial assets developed as follows in 2005:

€ thousands	Financial assets	Loan	Total
Acquisition costs			
at Jan. 1, 2004	13,982	1,057	15,039
Additions	6	50	56
Disposals	0	0	0
Reclassification	0	0	0
<b>Acquisition costs</b>			
<b>at Dec. 31, 2004</b>	<b>13,988</b>	<b>1,107</b>	<b>15,095</b>
Accumulated write-downs			
at Jan. 1, 2004	13,870	0	13,870
Additions	0	0	0
Disposals	0	0	0
Reclassification	0	0	0
<b>Accumulated write-downs</b>			
<b>at Dec. 31, 2004</b>	<b>13,870</b>	<b>0</b>	<b>13,870</b>
<b>Net book value at Dec. 31, 2004</b>	<b>118</b>	<b>1,107</b>	<b>1,225</b>
Acquisition costs			
at Jan. 1, 2005	13,988	1,107	15,095
Additions	5	50	55
Disposals	0	0	0
Reclassification	0	0	0
<b>Acquisition costs</b>			
<b>at Dec. 31, 2005</b>	<b>13,993</b>	<b>1,157</b>	<b>15,150</b>
Accumulated write-downs			
at Jan. 1, 2005	13,870	0	13,870
Additions	0	0	0
Disposals	0	0	0
Reclassification	0	0	0
<b>Accumulated write-downs at</b>			
<b>Dec. 31, 2005</b>	<b>13,870</b>	<b>0</b>	<b>13,870</b>
<b>Net book value at Dec. 31, 2005</b>	<b>123</b>	<b>1,157</b>	<b>1,280</b>

Financial assets are capitalized at cost on the date of settlement, i.e. the date incurred or the transfer of the asset. For purposes of subsequent measurement as of the balance sheet date, a classification is made between financial assets held-to-maturity, loans and receivables, financial assets available-for-sale and financial assets at fair value through profit or loss.

Financial assets available-for-sale and at fair value through profit or loss are recognized at fair value as at the balance sheet date, if it can be reliably measured. Regarding financial assets available-for-sale, value fluctuations between the balance sheet date are transferred to reserves without an impact on result. The release of reserves with an impact on result is made either upon disposal or fall in fair value below the carrying value (write-down). Value fluctuations for financial assets at fair value through profit or loss are recorded with an impact on result. In case the fair value of the unlisted financial asset cannot be reliably measured, the shares are measured with the acquisition costs.

Loans and receivables as well as financial assets held-to-maturity are measured at amortized cost as of the balance sheet date. In case the recoverable amount falls below the carrying value as of the balance sheet date, write-downs are recognized with an impact on result. The recoverable amount is determined as the present value of all future payments incurred on the financial assets.

plenum holds two securities that are available-for-sale. These securities were written-down in full in 2001 due to insolvency reported by the issuing company. In 2003 and as at December 31, 2004, write-ups were not recognized, because according to management, a sale of the securities was not possible due to a lack of demand.

The loans granted to Hartmut Skubch (refer to note 32 under related parties) are measured at amortized cost.

Reinsurance claims are stated at the cash surrender value, which corresponds to amortized cost.

plenum does not own financial assets at fair value through profit or loss and held-to-maturity.

## 20. Liabilities

Liabilities are broken down as follows:

€ thousands	Dec. 31, 2005		Dec. 31, 2004	
	total	of which	total	of which
Bank loans	62	44	80	62
Advance payments	339	0	180	0
Trade accounts payable	858	0	1,863	0
Other liabilities	528	0	1,075	0
	<b>1,787</b>	<b>44</b>	<b>3,198</b>	<b>62</b>

Bank loans relate to one loan granted to an affiliated company. The loan is subject to an interest rate of 3.75%, a term of 10 years and expires 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 (12/31/2004: TEUR 1,500); of which TEUR 500 comprise of cash credits. Of these limits, an amount of TEUR 223 was used in the form of guarantees as of December 31, 2005 (12/31/2004: TEUR 192).

Other liabilities consist of:

€ thousands	Dec. 31, 2005	Dec. 31, 2004
Taxes	211	470
Social security	247	323
Wages and salaries	4	216
Other	66	66
	<b>528</b>	<b>1,075</b>

## 21. Other provisions

Other provisions are broken down as follows:

€ thousands	Jan. 1, 2005	Use	Release	Addition	Dec. 31, 2005
Taxes	61	0	0	0	61
Outstanding invoices	3,477	2,375	630	423	895
Personnel accruals	1,794	1,572	114	1,493	1,601
Warranties	855	0	0	0	855
Travel costs	386	0	0	0	386
Anticipated losses	24	19	5	101	101
Other accrued liabilities	444	319	64	642	703
	<b>7,041</b>	<b>4,285</b>	<b>813</b>	<b>2,659</b>	<b>4,602</b>

Other provisions are recognized when the amount or date of outflow of resources embodying economic benefits of a present obligation to a third party is uncertain, but the amount can be reliably estimated.

The provision for warranties relates to a long-term provision. The warranty period is two years. The amount relates to an estimate of total costs incurred upon possible entry of the warranty.

## 22. Pension provisions

The company granted certain vested direct pension benefits. The amount of pension benefits is based on salary and length of service. The amount of vested benefits is adjusted

Liabilities are stated at their repayment amounts. Interest-bearing bank loans are accounted for at the payment amount received. The accounting of financing costs is made with an impact on result and to the proper period.

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

€ thousands	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Present value of the obligation (DBO) at the beginning of the year	721	669	872
Service cost	10	10	7
Interest cost	37	37	38
Actuarial gains / losses	9	12	-241
Pension payments	-7	-7	-7

€ thousands	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Present value of the obligation (DBO) at the end of the year	770	721	669

The actuarial gains and losses are reported as incurred with an impact on income.

The fair 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, 2005	Dec. 31, 2004
Plan assets at the beginning of the year (fair value)	79	73
Actual return on plan assets	5	6
Plan assets at the end of the year (fair value)	84	79

In 2005, plenum AG paid an amount of TEUR 76 (2004: TEUR 76) for a defined contribution plan via a provident fund.

## 23. Stockholders' equity

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
Capital authorized for issue
Conditional capital

The fully paid-in capital stock of plenum AG is divided into 9,577,068 bearer shares. The capital authorized for issue by the stockholders' meeting in 2002 can be issued until June 14, 2007. The conditional capital resolved by the stockholders' meeting in 2002 serves exclusively to fulfill exercised option rights (regarding the stock option plan refer to note 26).

According to the stockholders' meeting resolution dated June 30, 2005, plenum is authorized to acquire treasury stock for certain reasons up to December 31, 2006 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 contribution in kind or within the scope of a stock option plan.

As of December 31, 2005, plenum owned treasury stock of 16,790 own shares, which were acquired in 2001 at a total price of TEUR 83 and offset against equity. In 2005, no treasury stock was acquired, applied or redeemed.

New option rights were issued to employees of plenum AG and employees of affiliated companies as of the grant date of June 14, 2005 (see related explanations under note 26 "Other Disclosures"). The capital reserves increased by TEUR 26 for the amount of personnel costs reported for 2005.

**E. Other Disclosures to the Consolidated Income Statement, Balance Sheet and Cash Flow Statement**

**24. Costs of purchased merchandise and services**

The costs for purchased merchandise and services for the financial year 2005 amounted to TEUR 9,437 (2004: TEUR 18,127).

**25. Personnel expenses**

Personnel expenses are broken down as follows

€ thousands	2005	2004
Wages and salaries	13,894	15,740
Social security costs	1,954	2,313
Expenses for pension benefits	103	155
	<b>15,951</b>	<b>18,208</b>

In 2005, the company employed an average of 221 (2004: 256) persons. The personnel expenses per employee totaled TEUR 72 (2004: TEUR 71).

**26. Stock-based compensation**

For the plenum AG stock option plan, the stockholders' 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 of 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 option rights have a maximum term of 5 years. After expiration of the exercise period, the option rights are forfeited without compensation.

Stock-based compensation granted on or before November 7, 2002 as well as after November 7, 2002, but that has become non-forfeited before January 1, 2005, are not required to be shown according to IFRS 2 Share-based Payment for first-time adopters pursuant to IFRS 1. plenum has selected this election.

Regarding option rights granted before November 7, 2002, the election under IFRS 1 First Adoption of International Accounting Standards has been applied and the accounting principles of APB Opinion 25, Accounting for Stock Issued to Employees, and related interpretations have continued to be applied. The intrinsic value is assumed for the stock options. In accordance with the stipulations of the stock option plan, personnel expense is not incurred.

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.

New option rights were issued to employees of plenum AG and employees of affiliated companies as of the entitlement date of June 14, 2005. However, the accounting principles according to IFRS 2 Share-based Payment are now required to be applied. The assumptions below are applied in calculating the personnel costs:

	2005
Expected life to exercise	5 years
Risk-free interest rate	2.5 %
Expected volatility	35.0 %
Average expected dividends	0 %

The fair value under Black-Scholes for all options granted during the financial year amounted to TEUR 113. The amount is allocated as personnel expenses over the period between the date granted and the earliest possible exercise date. Personnel expenses of TEUR 26 were incurred in 2005.

	Number of Options	Average exercise price (€)
Jan. 1, 2004	373,800	10.01
Granted	0	N/A
Exercised	0	N/A
Cancelled	-32,850	10.10
<b>Dec. 31, 2004 / Jan. 1, 2005</b>	<b>340,950</b>	<b>10.0</b>
Granted	324,000	1.31
Exercised	0	
Cancelled	-113,050	11.92
<b>Dec. 31, 2005</b>	<b>551,900</b>	<b>4.50</b>

As of December 31, 2005, there were no exercisable options. In the previous year, 91,100 options were exercisable at an average price of EUR 12.61.

As of December 31, 2005, outstanding stock options had an exercise price of EUR 1.31 to EUR 13.74. The average remaining term is 2.8 years (12/31/2004: 1.2 years).

**27. 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 223 (12/31/2004: TEUR 192).

Commitments for rent and leasing agreements amount to:

€ thousands	Dec. 31, 2005
2006	1,226
2007	1,123
2008	742
2009	425
after 2010	187
	<b>3,703</b>

The expenses for rent and lease agreements amount to TEUR 1,751 in 2005 (2004: TEUR 1,617).

**28. Pending litigation and other risks**

A provision was made at the end of 2005 for litigation risks from pending legal disputes in the amount of TEUR 165 (2004: TEUR 195).

**29. 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, money market funds and open real property funds. Derivatives within the scope of IAS 39 Financial Instruments: Recognition and Measurement are not used.

**30. Consolidated cash flow statement**

The consolidated cash flow statement is classified by the Group's cash flows from operating, investing and financing activities. Cash and cash equivalents include only such liquid funds with an original maturity of less than three months. Changes to the group of consolidated companies are eliminated in the respective classification positions. The

consolidated cash flow statement includes non-cash increases to reinsurance contracts (financial assets) in the amount of TEUR 6 (2004: TEUR 6) and non-cash increases to capital reserves of TEUR 26 (2004: TEUR 0).

### 31. Segment information

Corresponding to the internal organization and reporting structure according to the classification of services, segment reporting distinguished between the segments consulting (consulting services for strategy development, efficiency improvements and new organization for IT management),

communication (complex services for integrated communications – online and offline), and systems (consulting and implementation services for innovative technological solutions). The consulting segment comprises plenum Management Consulting GmbH and the consulting business of plenum Systems GmbH. The remaining business of plenum Systems GmbH represents the Implementation segment. The Communications business consists plenum Communication GmbH and DOM Digital Online Media GmbH.

The segment figures are reconciled to the Group figures as follows:

€ thousands	Year	Segments	Reconciliation	Group
<b>Gross sales revenues</b>				
	2005	28,076	-623	27,453
	2004	41,502	-497	41,005
<b>Internal sales<sup>1</sup></b>				
	2005	623	-623	0
	2004	497	-497	0
<b>Net sales revenues</b>				
	2005	27,453	0	27,453
	2004	41,005	0	41,005
<b>Depreciation</b>				
	2005	-469	-209	-678
	2004	-589	-207	-796
<b>Other costs</b>				
	2005	-29,915	-243	-30,158
	2004	-41,631	-423	-42,054
<b>Earnings before interest and taxes (EBIT)</b>				
	2005	-2,931	-452	-3,383
	2004	-1,215	-630	-1,845
<b>Internal Operating Profit (IOP) (EBITDA)</b>				
	2005	-2,462	-243	-2,705
	2004	-626	-423	-1,049
<b>Assets as at Dec. 31</b>				
	2005	6,061	6,290	12,351
	2004	11,164	8,146	19,310
<b>Liabilities as at Dec. 31</b>				
	2005	-7,025	-10	-7,035
	2004	-10,487	-360	-10,847
<b>Investments</b>				
	2005	345	13	358
	2004	310	41	351

<sup>1</sup>Sales between segments

The effects arising from consolidation transactions and the figures from non-operating segments are shown in the reconciliation column. The liquid funds from the cash pool across the Group are included in the reconciliation column under „assets“ in the amount of TEUR 5,731 (12/31/2004: TEUR 6,630).

The Group's customer structure did not result in any major concentration in any given geographic region. Revenues of 29.4 % were generated from one major customer in 2005 (2004: 41.0 %).

### 32. Related Party Transactions

€ thousands	Liabilities arising from services used		Expenses for services used	
	Dec. 31, 2005	Dec. 31, 2004	2005	2004
Informatik Consulting Bauer GmbH, Moos	16	10	112	139
S&F GmbH & Co. KG, Herrenberg	0	41	307	228
KomPuls GmbH, Eltville	0	27	173	194
Dr. Wolfgang Händel	5	4	14	13
	21	82	606	574

plenum Systems GmbH and plenum AG maintain business relations with Informatik Consulting Bauer GmbH, Moos. The sole shareholder and managing director of Informatik Consulting Bauer GmbH is Michael Bauer, the Chairman of the Supervisory Board of plenum AG. Informatik Consulting Bauer GmbH renders lecturer services within the seminar program, solicits seminar projects and renders lecturer services.

plenum Communication GmbH maintained business relations with S&F GmbH & Co. KG until June 2005. The managing shareholder is Heinz Stoll, Management Board member of plenum AG and the managing director of plenum Communication GmbH, and Gerhard Fischbach, managing director of plenum 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. The rental agreement was cancelled due to a move to the „Atlantishaus“.

plenum AG maintains business relations with KomPuls GmbH, Eltville. The managing shareholder 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.

plenum AG maintains business relations with Dr. Wolfgang 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 with financial institutions.

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. With the approval of the Supervisory Board on March 21, 2006, both loans have been extended until September 30, 2007. The loans including the capitalized interests are secured by a personal guarantee of the chairman of the Supervisory Board Michael Bauer (TEUR 1,100) and by another guaranty.

### 33. Auditor fees

The fees recorded as expenses for Deloitte & Touche Wirtschaftsprüfungsgesellschaft mbH, Frankfurt am Main, for the financial year comprise the following services:

€ thousands	2005
Year end audit	90
Tax consulting services	55
Other services	5
	150

The fees for the year end audit relate to the audit of the consolidated financial statements. The consolidated subsidiaries of plenum AG are exempt from the audit requirement pursuant to Article 264 (3) HGB and are audited only as part of the consolidated financial statements.

### 34. Important events after the balance sheet date

With the approval of the Supervisory Board on March 21, 2006, both loans of Hartmut Skubch on the amount of TEUR 1,000 plus interests have been extended until September 30, 2007.

### 35. Corporate Governance

On December 16, 2005, the Management Board and the Supervisory Board submitted the 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 stockholders 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.

### 36. 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	Klaus Gröne	Heinz Stoll*	Michael Rohde	Andreas Janssen	Total
Number of shares						
Jan. 1, 2005	1,891,253	20,453	431,500	0	0	2,343,206
Dec. 31, 2005	1,891,253	20,453	431,500	0	0	2,343,206

\*shares held indirectly

Stock options of the Management Board	Hartmut Skubch	Klaus Gröne	Heinz Stoll	Michael Rohde	Andreas Janssen	Total
Number of shares						
Jan. 1, 2005	56,500	25,200	0	0	0	81,700
Other additions	0	0	0	10,000	7,800	17,800
Expired	6,500	5,200	0	0	3,900	15,600
Dec. 31, 2005	50,000	20,000	0	10,000	3,900	83,900

Total remuneration (cash compensation, monetary benefits and insurance) granted by plenum AG to the members of the Management Board for the financial year 2005 amounted to TEUR 1,201 (2004: TEUR 978). In the financial year, TEUR 42 related to variable remuneration.

Shares held by the Supervisory Board	Michael Bauer*	Dr. Wolfgang Händel	Norbert Rohrig	Total
Number of shares				
Jan. 1, 2005	370,360	3,500	700	374,560
Disposal	0	2,500	0	2,500
Dec. 31, 2005	370,360	1,000	700	372,060

\*shares held indirectly

The Supervisory Board received remuneration of TEUR 38 for the financial year (2004: TEUR 35).

Memberships in supervisory boards or similar German and foreign control bodies of business entities (as of Dec. 31, 2005):

#### Members of the Management Board

Name	Ressort	Mandates*
Hartmut Skubch (Chairman)	Strategy/Business Development and Sales/ Events	None
Klaus Gröne	plenum Systems, Delivery and Human Resources	None
Andreas Janssen (since May 23, 2005)	Finance, Administration and Investor Relations	None
Michael Rohde (since May 23, 2005)	plenum Management Consulting and Business Management	None
Heinz Stoll	plenum Communication and Marketing	None

#### Members of the Supervisory Board

Name	Mandates*
Michael Bauer (Chairman)	plenum founder and IT-consultant, managing director of Informatik Consulting Bauer GmbH, Moos
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 ISATRAESKO GmbH, Neumünster; Chairman of the supervisory board of GEYER AG, Nürnberg; Chairman of the supervisory board of Hermanus AG, Bonn, Supervisory board of plecto AG, Aschau; Director of the Board of Newcastle Capital Corporation, Sacramento/CA, USA
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 EDS Deutschland GmbH, Hamburg

\* Mandates in Supervisory Boards and similar national and international control committees of business enterprises.

Wiesbaden, March 22, 2006

The Management Board



Hartmut Skubch



Andreas Janssen



Klaus Gröne



Heinz Stoll



Michael Rohde

## List of Investments

Name and location of company	Share in capital
<b>1. Affiliated companies</b>	100%
plenum Management Consulting GmbH, Wiesbaden	100%
plenum Systems GmbH, Wiesbaden	100%
plenum Communication GmbH, Herrenberg	100%
DOM Digital Online Media GmbH, Köln	100%
<b>2. Other investment companies</b>	15%
aloba AG, Burgdorf (Switzerland)	

# Auditor's Report

We have audited the consolidated financial statements prepared by plenum Aktiengesellschaft, Wiesbaden, comprising the balance sheet, the income statement, statement of changes in stockholders' equity, cash flow statement, segment report and notes to the consolidated financial statements, together with management report combined together with the parent company's Group management report for the business year from January 1, 2005 to December 31, 2005. The preparation of the consolidated financial statements and Group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of the German commercial law pursuant to Article 315a (1) HGB (German Commercial Code) are the responsibility of the management of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 HGB (German Commercial Code) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards

require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the management report combined with the parent company's Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report combined with the parent company's Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's managing directors as well as evaluating the overall presentation of the consolidated financial statements and management report combined with the parent company's Group management

report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of plenum Aktiengesellschaft, Wiesbaden, comply with provisions of IFRS as adopted by the EU and the supplementary statutory German commercial law pursuant to Article 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group. The management report combined with the parent company's Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 22, 2006

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft



Kompenhans  
Wirtschaftsprüfer

## Corporate calendar 2006

April 6, 2006  
Publication of  
Annual Report 2005

May 24, 2006  
Publication of report  
for the first quarter 2006

July 3, 2006  
Annual Shareholder Meeting 2006

August 30, 2006  
Publication of report  
for the first half 2006

November 29, 2006  
Publication of report  
for the first three quarters 2006

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Design & layout:  
plenum Communication GmbH  
plenum stoll & fischbach  
Kalkofenstr. 51  
71083 Herrenberg

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