Annual Report 2006

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plenum Group Key Figures

plenum Group Key Figures in € thousands	2006 IFRS	2005 IFRS	2004 IFRS	2003 US-GAAP	2002 US-GAAP
Sales revenues	26,539	27,453	41,005	40,266	47,474
Gross profit	4,527	2,482	5,800	6,628	10,265
EBITDA	−329	−2,705	−1,049	1,236	−1,103
EBIT	−881	−3,383	−1,845	128	−7,120
Group net loss	−144	−3,163	−1,653	209	−10,657
Earnings per share in € (undiluted)	−0.02	−0.33	−0.17	0.02	−1.11
Shares outstandig (undiluted, in thousand)	9,577	9,577	9,577	9,577	9,577

plenum Group Key Figures	2006 IFRS	2005 IFRS	2004 IFRS	2003 US-GAAP	2002 US-GAAP
Equity ratio as at December 31	44.6 %	42 %	43 %	50 %	40 %
Cash and cash equivalents / securities as at Dec. 31 (in € thousands)	3,581	5,834	6,632	8,103	13,305
Net liquidity[1] as at Dec. 31 (in € thousands)	3,384	5,477	6,434	7,351	10,686
Working Capital as at Dec. 31 (in € thousands)	4,181	4,205	6,996	8,126	6,857
Long-term assets / Long-term debt and equity ratio as at Dec. 31	0.3	0.4	0.3	0.3	0.4
Current assets / current liabilities ratio as at Dec. 31	1.8	1.8	1.7	2.0	1.5
Average number of employees	190	221	256	309	399
Employees as at Dec. 31	188	195	242	269	338

[1] Cash and cash equivalents / securities less short-term bank liabilities and advance payments received
[2] long-term assets/long term capital
[3] short term assets/shortterm capital

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Contents

Letter to our Shareholders

Dear ladies and gentlemen, dear shareholders and business partners,
In financial year 2006, we concluded the refocusing strategy that we developed in 2004. Now plenum is on a growth path with the core business of management consulting.

However, before we look into the future, here is a brief review of the efforts and successes that are now behind us:

The challenges of the refocusing strategy were:

- withdrawal from the business of pure software development, which has come under price pressure
- outsourcing and profiling the agency business
- focussing management consulting on the future issues of the financial service providers and energy suppliers

In 2004, plenum still generated turnover of Euro 18.2 million with pure software development, which corresponded to 44% of total business. In 2005, this turnover was cut in half to Euro 9 million and further reduced in 2006 to Euro 4.4 million. By transferring the Leinfelden location to the company NovaTec GmbH, effective in 2007, we have withdrawn from this business completely.

In the process, we have ensured the technology competence of plenum consultants for the long term in the form of a technology lab as part of a strategic partnership with NovaTec.

The agency business was spun off in 2005 into two independent companies, each with its own brand. The success of this measure was already seen in 2006 through the considerable growth in turnover of 19% to Euro 11.3 million.

With the focussing that was initiated in 2004, our core business, management consulting, was right in the trend of the demand for future issues:

- IT strategy and Business Alignment
- Marketing Strategy and Customer Interaction Management
- IT governance and IT efficiency
- IT architecture and Technology Consulting

In 2006, it was able to grow by approximately 20%, which was clearly above the market (11%).

With this growth in the agency business and in particular the consulting business, it was possible to almost compensate for the loss of turnover caused by withdrawing from the software development business.

We were also able to achieve considerable improvements on the earnings side. If we had proceeded on the assumption of a loss of Euro 1.9 million (EBIT) in 2006 from our medium-term plan in 2004, then we would have been clearly below this value with a loss of Euro 0.9 million (EBIT) in 2006. Thanks to a positive tax effect, the Group net income of minus Euro 0.2 million was almost completely offset.
If you compare this result to that of the previous year (minus Euro 3.4 million EBIT), then the success becomes very clear. One of the reasons for this was the consistent adaptation of the administration structure to the changed business volumes and the related reduction of the workforce by 40%.

Hartmut Skubch
Chairman of the
Management Board
plenum AG

plenum stands for quality and innovation in the market. This perception is the result of 20 years of company history and we want to perpetuate this history. The decisive course was already set in 2006 and the recruiting process was intensified considerably. Even by the beginning of 2007, it was possible to reinforce the consulting team by 20% compared to 2006. We want to and will continue to win the competition for the best know-how, the strongest personalities and the true team players. Naturally, this means investing effort and time. However, the integration of new outstanding consultants is one of the most important success factors for our future development.

Besides growth in Germany, the step towards internationalisation is now pending. More and more of our customers are setting up internationally, or at least in Europe, and we are responding to this.

The first step in internationalisation is entering the market in the United Arab Emirates – one of the fastest growing regions in the world. Here, we accept that international expansion as well as expansion in our home market entails considerable work and financial expenditures.

These growth efforts will shape financial year 2007.
The return on sales will not yet reach the level that is expected from a steady state, because we will invest a considerable proportion of the earnings from consulting projects in this growth strategy.
Only that way will we be able to successfully participate in the consulting market, which is growing particularly strongly in Germany, in a sustainable way and that way compensate for the share of turnover from the software development business still remaining in 2006 of 16% (Euro 4.4 million).

We have excellent opportunities ahead of us, but there are also the new challenges from growth. However, before we head down this path, I would like to say thank you to my employees and colleagues, our more than 500 customers who we were privileged to help over the past 20 years with our expertise, and naturally you, dear shareholders, many of whom have accompanied us for so many years on our journey.

Wiesbaden, April 2007

Hartmut Skubch
Chairman of the Management Board
plenum AG

Company Profile

plenum AG concentrates on two core businesses: consulting and communication services

plenum is a consulting company that is focussed on strategic tasks with a strong focus on IT for banks, insurance companies, and companies in the energy industry, complemented by the agency business that it was acquired in 2000. Here, plenum is positioned with its range of services that covers validation and firm establishment of strategies as well as preparation for strategic changes. Business-orientated IT strategies, CRM strategies, and efficiency increases for the general deployment of IT as well as integrated brand communication form the focus of the content of plenum's consulting.

By concentrating on these two core business areas, plenum has aligned its profile to address the future needs of our clients. In our consulting business, the plenum Management Consulting trade mark stands for distinct consulting competence. Through the strategic cooperation with NovaTec GmbH, the technology know-how is guaranteed. The plenum stoll & fischbach and DOM agencies operate independently in the market due to their different clientele and service processes. Integrated into an international network, plenum stoll & fischbach acts as a full service communication agency offering a complete range of services in the cross-media 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 starting with the development of solutions to strategic issues, continuing with development of partnership-centric solutions and program development up right up to facilitating reliable and stable implementation. 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 staffs and employees alike. plenum rates the effects of the solutions by the success of the customers' business results, using this to gauge 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 in all aspects of fundamental change, is corroborated by 20 years of 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 highly relevant, 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. It 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 skills, pragmatism, creativity, and integrity. Our workforce, a customer relationship 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 corporations. In our core sectors, we have provided services to 12 of the national top 20 banks and five of the top insurance companies operating in Germany. We are also successfully positioned in the German energy and logistics markets and we offer our services to brand name manufacturers as well.

Service Portfolio

We structure our expertise into areas of special focus and offer a comprehensive service portfolio for solving strategic problems. Depending on the challenge at hand, plenum can combine consulting and communications expertise.

- **IT Strategy & Business Management**

We develop sustainable, business-orientated IT strategies and business processes with the goal of effectively exploiting IT potential and adding value.

Brand Strategy & Customer Management

- **IT Efficiency**

Here, we help our customers to effectively reduce their IT costs while maintaining the same or better performance through structural improvements to the IT applications.

IT Architecture Management

By developing and implementing future-orientated IT architectures, we enable our customers to perform architecture-conforming system development. System quality and security can be improved and IT costs slashed.

CRM and e-Biz

Increasing individualised customer requirements and competitive pressure are forcing customers to systematically gain customer loyalty and integrate eBusiness in the process. Against this background, we develop new strategic and creative concepts in customer relationship management.

Integrated Brand Communication

Through intelligent integration of different communications instruments, the customer achieves the highest level of qualified contacts for the resources that are used.

Interactive Marketing

With digital media and mobile handsets, interactive marketing realises direct communication with potential customers and is therefore used especially for research and sales promotion measures.

Plenum Institute

The plenum Institute has stood for know-how transfer for more than 18 years. Under this brand name, a dialogue for the utilisation and application of sustainable information technologies is initiated and shaped for a sustainable solution to the strategic issues facing national and international financial service providers, utility and logistics companies.

Employees

The commitment and competence of the employees and managers are decisive success factors for the future development of plenum.

With a great deal of energy and commitment, our employees have successfully realised solutions for the demanding issues and challenges of our customers. In the process, the quality of their work has superseded the high expectations of our customers and thereby created the foundation for business relationships that are long lasting and trusting.

Within the scope of the program to lower costs in the area of central administration, personnel measures were unfortunately unavoidable. By outsourcing administrative functions to external service providers as of 2007, personnel administration, among other things, will benefit from the costs that are saved.

Within Delivery Management, the Assignment Management coordinates effective deployment of consultants for customer projects and actively manages available capacity for research and development tasks. Hence, the order situation as well as the establishment of this function has resulted in high utilisation of consultants in customer projects.

Within the framework of the refocusing strategy, a program was set up in 2006 to recruit new consultants to further expand the technical, personal and methodical competence of our employees in accordance with the subject matter requested by our customers. The success of these measures shall take effect at the beginning of 2007.

We see the challenge of providing further personal development for our consultants as a strategic investment in the quality of our performance and of our innovative power.

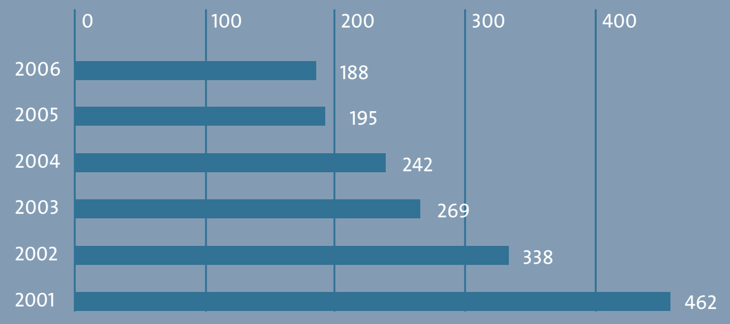
We rate our employees' high qualifications and their willingness to perform as an outstanding starting basis for the targeted growth in our core business.

Distribution by gender	Dec. 31, 2006	Dec. 31, 2005
Women	35 %	46 %
Men	65 %	54 %

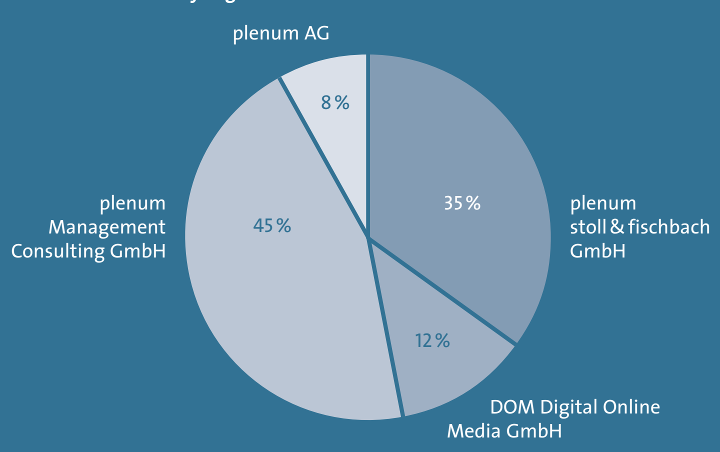
Job tenure	Dec. 31, 2006	Dec. 31, 2005
15–20 years	6 %	6 %
10–15 years	8 %	8 %
5–10 years	41 %	48 %
less than 5 years	45 %	38 %

Distribution by age	Dec. 31, 2006	Dec. 31, 2005
50 and above	6 %	5 %
40–49	27 %	23 %
30–39	45 %	55 %
under 30	22 %	17 %

Employment trends



Staff distribution by segment



The plenum Stock

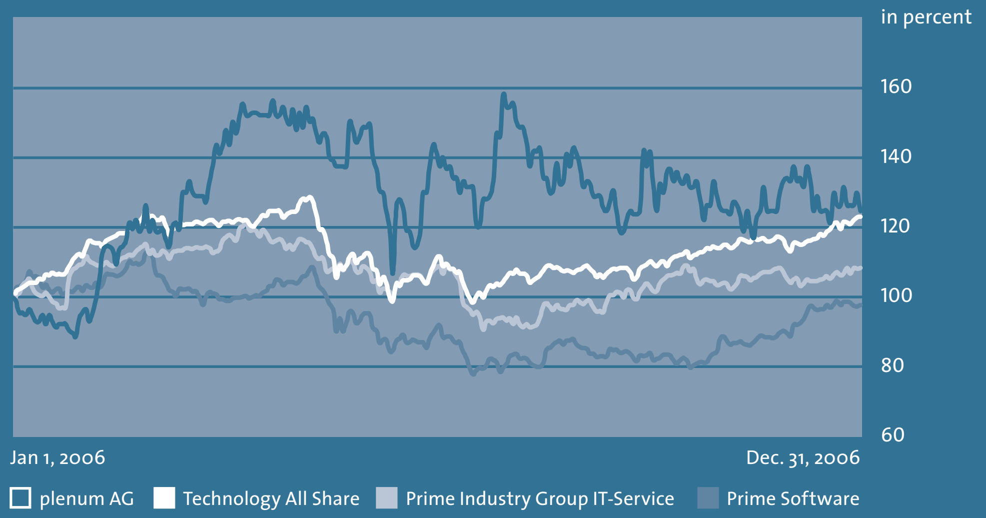
The Xetra price of the plenum share developed in financial year 2006 from Euro 1.16 at the beginning of the year to Euro 1.50 on December 29, 2006. Hence, it increased by a total of 29.3% in the reporting period. After reaching the lowest point of the year of Euro 1.08 in January 2006, the share increased during the course of the year to the highest point of the year of Euro 1.89 at the end of July 2006 after turbulent development.

We are confident that the certifiable successes that we have already achieved during the course of our refocusing strategy as well as the national and international expansion of our IT consulting services will also be honoured by the capital market in the medium term as well by an increase of the company value.

plenum AG will also make presentations at various capital market conferences in 2007.

Investors can request all relevant information about the plenum share and the financial target dates on the IR website of plenum AG as usual at www.plenum.de/investorrelations.

Share price performance 2006 (indexed)



Trading Parameters	
ISIN Code	DE 000 690 1002
Stock market code	PLE
Trading segment	Prime Standard, Frankfurt
Sector association	Software, IT-Services
Indexes	C-DAX, GEX, Prime All Share, Technology All Share
First trading day	August 3, 1998

Share Data	
Closing price (12/31)	1.50 €
Market capitalisation (12/31)	14.4 Mio. €
Highest-/	1.89 €
Lowest price 2005	1.08 €
Designated Sponsor:	
Close Brothers Seydler AG	

Company Data (31.12.)	
Capital stock	9,577,068 €
Bearer shares	9,577,068
Shareholder Structure (31.12.)	
Management	41 %
Free Float	59 %

Report of the Supervisory Board of plenum AG

During financial year 2006, the Supervisory Board constantly monitored and advised the management of plenum AG.

In four meetings, the Supervisory Board discussed the business situation and the strategic positioning of the Group as well as the development of the individual business units with the Management Board. All members of the Supervisory Board took part in all four meetings. Besides the meetings, I regularly discussed current events with the Chairman of the Management Board and with senior members of the company either by telephone or in person. Other members of the Supervisory Board and Management Board sometimes took part in these discussions. Furthermore, we made Supervisory Board resolutions by written consent in lieu of a meeting.

The Management Board informed the Supervisory Board in the quarterly meetings extensively both verbally and in writing regarding the business development and the state of the company, the subsidiaries, and investments. We were informed of business proceedings of major importance regularly and promptly.

In its meeting in April 2006, 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 year 2005 and discussed them with the auditors. The Supervisory Board approved the statements. The financial statements of financial year 2005 of plenum AG were thereby adopted. Furthermore, the Supervisory Board was given a report on the business development in 2006 and discussed it with the Management Board.

In its meeting in May 2006, the Supervisory Board mainly dealt with the first quarter of 2006 and the outlook for the second quarter of 2006. The Management Board informed the Supervisory Board of the level of implementation of the measures for the refocusing strategy, which were summarised under the title “Green Road Map”. Furthermore, the preparations for the annual general meeting were discussed.

In the meeting in August 2006, the results of the second quarter were discussed as well as the outlook for all of 2006 as well as the status of the “Green Road Map”.

In the December meeting of 2006, the third quarter of 2006 and the expected business development up to the end of the year as well as the status of the “Green Road Map” were discussed and advice was given. Moreover, the status of the planning for financial year 2007 was discussed. Furthermore, the Management Board informed us of the planned sale of the Leinfelden location. In this meeting, we also dealt with the topics of Corporate Governance.

The 2006 annual financial statements of plenum AG prepared in accordance with the German Commercial Code and the 2006 consolidated financial statements prepared in conformity with International Financial Reporting Standards (IFRS) and the statutory

Michael Bauer
Chairman of the
Supervisory Board
plenum AG

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 16, 2007, the Supervisory Board approved the 2006 consolidated financial statements and 2006 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 – thanks to the positive economic environment and thanks to the good strategic orientation – led to a positive development of the Company.

Wiesbaden, April 2007
The Supervisory Board

Michael Bauer
Chairman

Corporate Governance Report

In 2002, after submission of the recommendations of the German Corporate Governance Code, the Management Board and Supervisory Board of plenum AG resolved to implement and comply with the body of rules of the code taking into consideration the size of the company and the structure of its administrative bodies.

With it, plenum AG emphasised that management and control of the company that is responsible and orientated around long-term value creation has a very high priority.

Shareholders and the Annual Shareholders Meeting

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

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

Management Board and Supervisory Board

The Management Board of plenum AG consisted of five members until May 2006. The Chairman is the company founder Hartmut Skubch. On May 31, 2006, Heinz Stoll left the Management Board of plenum AG in order to dedicate himself exclusively to the management of plenum stoll & fischbach GmbH.

The Supervisory Board of plenum AG still consists of three members. The Chairman is the company's co-founder Michael Bauer.

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

Details of the contracts and information on additional mandates of the Management Board and Supervisory Board members are included at the end of the Consolidated Financial Report.

Cooperation between the Management Board and Supervisory Board

Our Management Board and Supervisory Board work closely and trustingly together in the interest of plenum AG. plenum AG has defined the interaction between the Management Board and Supervisory Board and their duties in the respective bylaws of the executive bodies.

The executive bodies of plenum AG owned the following plenum AG shares or options on 31,12,2006:

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

Compensation for members of the Supervisory Board in 2006 (€):

Name	Fixed Compensation	Attendance allowance	other Compensation
Michael Bauer	10,000	6,000	134,000
Dr. Wolfgang Händel	5,000	6,000	6,000
Norbert Rohrig	5,000	6,000	–

Compensation Structure of the Management Board and Supervisory Board

The Management Board members receive fixed and variable compensation components. In addition to granting a bonus to the Management Board members, the Supervisory Board can award other variable compensation components in the form of stock options. The criteria for compensation relate in particular to the Company's success in the past fiscal year, its economic position and future prospects, as well as Management Board members' duties and achievements. No stock options were granted to the Management Board in 2006.

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, an attendance allowance of EUR 1,000 and a bonus – if decided by the Annual Shareholder Meeting – depending on the results of plenum AG. The fixed compensation for the Chairman is double the amount.

Compensation of management and the Supervisory Board is explained in addition in the Compensation Report as part of the Management Report.

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 financial year 2006, we have neither received nor published any disclosures of such transactions with plenum AG shares.

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 §§ 15ff 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 of 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 remaining 50% of the option rights granted can be exercised at the earliest after expiry of the waiting period of 3 years after allocation. The option rights have a term of five years. After expiry of the 5 years, the option rights become invalid.

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 that have been issued and become invalid in financial year 2005 are listed in the table below. Further details can be found in the Notes to the Consolidated Financial Statement.

	Number of options
January 1, 2005	**340.950**
Granted	324.000
Excercised	0
Become invalid due to time or exit	−113.050
December 31, 2005 / January 1, 2006	**551.900**
Granted	0
Excercised	0
Become invalid due to time or exit	−316.900
December 31, 2006	**235.000**

Declaration of Conformity

The Management Board and Supervisory Board have regularly addressed issues of good management and on December 20, 2006 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 at www.plenum.de/investorrelations/corporate_governance.htm.

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

All recommendations of the German Corporate Governance Code in the version of June 12, 2006 were 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 such a provision has no influence on the motivation and the high degree of responsibility with which the members of its executive bodies perform their duties.

- It is fundamentally possible to form committees in the Supervisory Board according to the rules of the bylaws of the Supervisory Board. However, the Supervisory Board waives the formation of committees due to its size (three members).

- plenum AG is orientated 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.

Statements in accordance with § 315 paragraph 4 of the German Commercial Code (HGB)

Composition of capital stock and restriction of rights

Capital stock amounts to Euro 9,577,068 and is broken down into 9,577,068 no-par bearer shares. The shares are all the common shares and are bearer shares. The company has not imposed any restrictions on the voting rights or the transferability of individual shares. The Management Board of plenum AG is aware of an agreement between shareholders that locks the voting rights of 110,440 shares.
The Chairman and founder Hartmut Skubch owns 10% of plenum AG.

Authority of the Management Board to issue and repurchase shares

In accordance with § 5 paragraph 3 of the Articles of Association, the Management Board is authorised to increase the capital stock of the company up to July 2, 2011 with approval from the Supervisory Board up to Euro

4,788,534.00 through a single issue or multiple issues of up to 4,788,534 bearer shares for cash and/or cash equivalents (Approved Capital I).
In accordance with § 5 paragraph 4 of the Articles of Association, the capital stock is conditionally increased (conditional capital) by up to Euro 957,000.00 through the issue of up to 957,000 new bearer shares. This conditional capital increase is exclusively for issuing share options up to July 13, 2007.
In accordance with §5 paragraph 4a of the Articles of Association, the capital stock is still conditionally increased (conditional capital II) by up to Euro 3,831,534.00 through the issue of up to 3,831,534 new bearer shares. This conditional capital increase was resolved to be used exclusively for exercising conversion options or warrants that can be issued up to July 2, 2011. In accordance with the resolution from the Annual Shareholders Meeting of July 3, 2006, the company is authorised to purchase its own shares up to December 31, 2007 up to a 10% share of the capital stock. The shares may be acquired on the stock market, via purchase offer to all shareholders, or outside the stock market.

Regulations for appointing and dismissing Management Board members and for changing the Statues of Association

The Management Board is appointed and dismissed in accordance with §§ 84 and 85 of the German Public Companies Act (AktG).
In accordance with §12 paragraph 2 of the Statutes of Association, the Supervisory Board is authorised make changes to the articles of Association related to editorial modifications only . For the rest, §179 of the German Public Companies Act applies to changes to the Statues of Association.

Miscellaneous

Important agreements that are conditional on a change of control of the company are not known to the Management Board.
There are no compensation agreements between the company and members of the Management Board in the event of a change of control.

Combined Management Report of plenum AG and the plenum Group pursuant to Article 315 (3) together with Article 298 (3) HGB for the financial year ended December 31, 2006

I. Market and Industry Development

German economy grows markedly stronger than forecasted

According to the Federal Statistics Office, the German economy once again grew sharply at the end of the financial year 2006: the gross domestic product (GDP) was higher by 0.9 % – as adjusted for price, seasonal and calendar factors – in the fourth quarter than in the third quarter 2006. Economic performance in the first three quarters 2006 advanced with growth rates of 0.8 %, 1.2 % and 0.8 %, respectively, somewhat stronger than previously reported and as presented in the quarterly reports for 2006. When considered over the entire reporting period, the German economy grew by 2.7 %, which has been deemed as the strongest economic recovery since the 2000 boom year.

On an international scale, the following image arises on the basis of OECD data. The course of economic development was generally positive: the prognosis was raised by 0.2 percentage points to 5.1 % for 2006 versus the beginning of the year; global economic growth of 4.9 % is anticipated for 2007. Growth is better balanced, even if the US economy weakened (2006: 3.4 %; 2007: 2.9 %). The euro zone has gained in performance (2006: 2.4 %; 2007: 2.0 %), Japan's recovery continues (2006: 2.7 %; 2007: 2.1 %) and growth markets and developing countries demonstrated impressive growth rates (2006: 7.3 %; 2007: 7.2 %).

Consultancy market recovered in 2006 and indicates promising development potential for 2007

Following the years of diminishing growth from 2002 to 2004, the consulting industry boosted revenues from consulting in 2006 versus the previous year by 11.4 % to EUR 14.7 billion (2005: EUR 13.2 billion). Based on an 82 % market share, a turnover increase resulted (2005: 57 %), of which 34 % represents growth of over fifteen percent (Federal Association of German Management Consultants (BDU)).

A major portion of consulting revenues continues to be generated from consulting projects in Germany. However, the 2006 share is lower than in 2005. Where 92 % of segment revenues related to German projects in 2005, this percentage was only 86 % in 2006.

ITC Market

The Federal Association for the Information Economy, Telecommunications and new Media (BITKOM) estimated growth of 2.5 % or EUR 146.4 billion in the ITC market including digital consumer electronics for 2006.

Demand from commercial customers with digitalized business transactions was incessantly high. The software market saw a 5.5 % jump to EUR 17 billion in 2006. In a similar dynamic manner, the market for IT services advanced by 4.5 % to EUR 29 billion.

German advertising market development in 2006

The expectations in the German Advertising market for 2006 succumbed to very different evaluations. The ifo Institute and the Central Association of the German Advertising Industry (ZAW) both adjusted their forecasts upwards for the German Advertising market. Based on a trend survey comprising its 41 association members, ZAW anticipates growth of about 2 % according to the present market situation.

The Group of Online Distributors (OVK) belonging to the Federal Association of Digital Economy again boosted the revenue forecast for "classic Online advertising" for 2006. Based on EUR 903.1 million, the figures are markedly above the gross advertising revenues forecasted in September of EUR 785 million. OVK assumes that total revenues including the rapidly advancing segment for search engines and affiliate marketing will be significantly above expectations

Market for Online advertising experienced robust growth in 2006

According to an analysis of the Group of Online Distributors by the Federal Association of Digital Economy (BVDW), classic Online advertising in Germany also experienced robust growth in the late summer months of August and September 2006. Total Online advertising revenues did not amount to EUR 1.3 billion as forecasted back in February 2006, but climbed to EUR 1.65 billion (growth of 59 %). Based on a share of 7.6 % in total advertising revenues, Online now represents the fourth largest advertising medium. Consequently, Internet has surpassed the radio as the advertising carrier for the first time and is the fourth largest advertising medium in Germany.

II. Business development 2006

Sales revenues and new orders

€ thousands	2006	2005
New orders	25,918	23,335
*of which Phoenics**	*3,299*	*3,108*
Sales revenues	26,539	27,453
*of which Phoenics**	*3,290*	*8,072*
Sales revenues	4,839	5,460
*of which Phoenics**	*13*	*4*

* Phoenics is an ending major software development project of the Implementation segment.

New orders saw an 11.1 % jump from TEUR 23,335 to TEUR 25,918 versus the previous year, but sales revenues declined by 3.3 % from TEUR 27,453 to TEUR 26,539.

The order backlog fell by 11.4 % or TEUR 621 to TEUR 4,839.

Sales revenues by industry

	2006	2005
Insurance	26,1 %	44.5 %
Banks	16,5 %	11.6 %
Fashion & beauty	11 %	9.4 %
Food & beverage	10 %	7.2 %
Public Contractors	6.7 %	0 %
Mechanical Engineering	5.0 %	2.7 %
Logistics	3.8 %	2.7 %
Telekommunications	2.8 %	2.9 %
Pharmaceuticals & chemicals	2.4 %	1.6 %
Energy utilities	2.1 %	1.3 %
Others	13.6 %	16.1 %
	100 %	100 %

The sales revenue industries remain to be dominated by insurance companies, whose share in revenues however diminished from 44.5 % to 26.1 % mostly in favor of banks and public contractors. The bank sector's share in revenues rose from 11.6 % to 16.5 % and a 6.7 % share was realized from public contractors. Revenues from public contractors were insignificant in the prior year. The prior year's third strongest fashion and textile industry boosted its share in revenues from 9.4 % to 11.0 %. The fourth strongest food & beverage industry of the previous year advanced from 7.2 % to 10.0 %.

Gross profit

€ thousands	2006	2005
Sales revenues	26,539	27,453
Cost of revenues	22,012	24,971
Gross profit	4,527	2,482
in % of revenues	17.1 %	9.0 %

In absolute terms, gross profit increased by TEUR 2,045 to TEUR 4,527 over the prior year (2005: drop of TEUR 3,318) and from 9.0 % to 17.1 % in relation to sales revenues. The contribution margin recovered in the Communications and Consulting segments. The Phoenics business declined by TEUR 4,782 or 59.2 %. This drop in the Phoenics business affected purchased services, which fell from TEUR 9,437 in 2005 to TEUR 7,470 in 2006. This in turn led to a rise in the value-added of the Group, which rose by TEUR 1,053 year- on- year to TEUR 19,069.

Selling expenses, general and administrative expenses

€ thousands	2006	2005
Selling expenses	2,488	3,079
in % of revenues	9.4 %	11.2 %
General and administrative expenses	3,615	3,287
in % of revenues	13.6 %	12.0 %

Selling expenses declined by 19.2 % from TEUR 3,079 in 2005 to TEUR 2,488 in 2006. The drop in selling expenses is the result of higher capacity utilization and the overall improvement in the orders backlog.

General and administrative expenses were TEUR 328 higher than in the previous year. This was caused by the special effect from staff downsizing in Wiesbaden.

Research and development

€ thousands	2006	2005
Research and development expenses	629	430
in % of revenues	2.4 %	1.6 %

In 2006, plenum again invested more than in the previous year for the development of new projects with TEUR 629. Research and development expenses in 2005 amounted to TEUR 430. In relation to revenues, research and development expenses rose from 1.6% to 2.4%.

Other operating income and expenses

€ thousands	2006	2005
Other operating income and expenses	1.324	931
in% of revenues	5.0 %	3.4 %

The net balance of other operating income and expenses jumped from TEUR 931 to TEUR 1,324 in 2006 or 42.2%. Accordingly, the share in revenues rose from 3.4% in 2005 to 5.0% in 2006. This was mainly due to income from the release of provisions no longer required, which increased by TEUR 427 to TEUR 1,243 over the previous year.

Financial result, income taxes

€ thousands	2006	2005
Financial result	133	161
Income taxes	604	59

The financial result declined by TEUR 28 to TEUR 133 versus the prior year. This was due to significantly lower interest income.

The high tax proceeds amount arose from the capitalization of an accrued corporate income tax reduction credit, which will be refunded to plenum from 2008 to 2017. Deferred tax assets for existing net loss carry forwards have been exhausted in the previous financial years.

Group net result, earnings per share

The Group net result improved from TEUR –3,158 year-on-year to TEUR –144. The earnings before interest and taxes (EBIT) improved by TEUR 2,502 from TEUR –3,383 in 2005 to TEUR –881 in 2006. Earnings before interest, taxes, depreciation and amortization (EBITDA) moved in 2006 from TEUR –2,705 to TEUR –329.

The earnings per share were at EUR –0.02 (2005: EUR –0.33) due to the significantly improved Group result compared with the previous year.

Cash outflows

€ thousands	2006	2005
Movements in cash and cash equivalents/ securities	–2,253	–798

The Group again experienced cash outflows in 2006, which increased by 182.3 % over the prior year. This was mainly caused by the outflow for higher receivables and the current period losses before taxes. The cash outflows from investing activities amounting to TEUR 147 are significantly below the prior year's amount of TEUR 338.

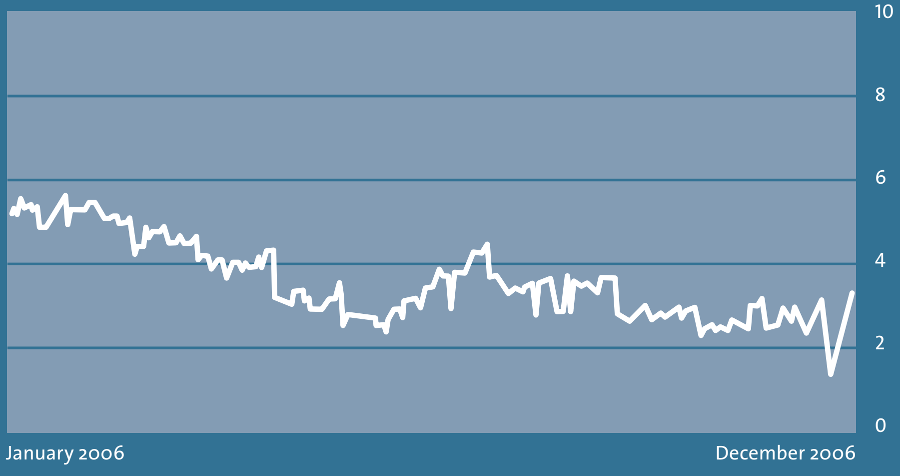
The graph below depicts the development of cash and cash equivalents during 2006.

III. Segment Development

New orders and order backlog by individual segments developed as follows:

€ thousands	Year	New orders	Order backlog as at Dec. 31	Calculated lifespan of the order backlog in months
Consulting	2006	9,701	1,022	1.0
	2005	*9,562*	*2,235*	*3.3*
Communications	2006	12,152	2,991	3.1
	2005	*9,332*	*2,102*	*3.2*
Implementation	2006	4,065	826	2.2
	2005	*4,441*	*1,124*	*2.7*
Total	2006	25,918	4,839	2.1
	2005	*23,335*	5,460	*3.1*

The chart below shows the development of cash flow in the course of the financial year 2006.



Segment reporting is presented in the table below:

€ thousands		Consulting	Communications	Implementation	Total
Gross sales revenues	CY	11,821	11,657	4,362	27,840
	PY	*9,366*	*9,692*	*9,018*	*28,076*
Internal sales[1]	CY	907	394	0	1,301
	PY	*364*	*258*	*1*	*623*
Net sales revenues	CY	10,914	11,263	4,362	26,539
	PY	*9,002*	*9,434*	*9,017*	*27,453*
Depreciation and amortization	CY	– 184	– 217	0	– 401
	PY	*– 218*	*– 251*	*0*	*– 469*
Other segment expenses	CY	– 9,705	– 11,134	– 4,187	– 25,026
	PY	*– 9,723*	*– 10,509*	*– 9,683*	*– 29,915*
Segment results (EBIT)	CY	1,025	– 88	175	1,112
	PY	*– 939*	*– 1,326*	*– 666*	*– 2,931*
Segment investments	CY	56	176	0	232
	PY	*21*	*324*	*0*	*345*
Segment assets as at Dec. 31	CY	3,798	2,252	763	6,813
	PY	*3,460*	*1,931*	*670*	*6,061*
Segment liabilities as at Dec. 31	CY	– 1,605	– 2,161	– 1,617	– 5,383
	PY	*– 2,035*	*– 2,299*	*– 2,691*	*– 7,025*

CY = Current year; PY = Prior year
[1] Sales between segments

Of the total net sales amount of TEUR 26,539 in 2006, an amount of TEUR 3,672 (2005: TEUR 987) or 13.8 % (2005: 3.6 %) relates to foreign sales. The foreign sales comprise of 46.8 % for the United Arab Emirates (2005: 0%), 36.7 % for Switzerland (2005: 31.4 %) and 6.9 % for France (2005: 6.7 %). In 2005, 47.2 % of foreign sales related to Austria (2006: 2.5 %). Business abroad therefore soared by 272% (2005: + 72 %) over the previous year.

The segment result (EBIT) serves as the most important internal key figure and as an indicator of sustainable profitability of a segment. The segment EBIT represents 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 in 2005 resulted in a rise in gross sales revenues of 26.2 % to a total of TEUR 11,821 in 2006 versus TEUR 9,366 in 2005. The percentage share in the Group's total gross sales revenues rose from 33.4 % in 2005 to 42.5 % in 2006.

Corresponding to the sales development, the segment result (EBIT) also significantly improved from losses amounting to TEUR −939 in 2005 to profits of TEUR 1,025 in 2006.

New orders totalling TEUR 9,701 in 2006 are higher than in the previous year (TEUR 9,562) and slightly below the net sales revenues in 2006 (TEUR 10,914). Consequently, the order backlog accordingly declined from TEUR 2,235 at the end of 2005 to TEUR 1,022 as of December 31, 2006. The backlog has a mean calculated lifespan of one month.

The main focus in 2006 was again on the refocusing strategy in terms of the content design of consulting and the withdrawal from implementation and software development business. The switchover of employees with technological and implementation know-how to consulting along with appropriate training is almost complete.

Promising new orders were already booked by the beginning of the year in all consulting projects in focus. In particular, intensive demand incurred for IT-Governance. The energy utilities sector moved towards the focal point as another major customer segment in addition to banks and insurance.

Besides gaining projects with core topics in the new industry segments, customer relations were markedly strengthened and intensified. This was particularly the result of realigning our portfolio, such as IT Value Management. Project contents included identifying performance indicators and tempo in IT as defined by business value contribution.

Our service portfolio was adjusted at year end to the changes in demand, which now comprises the following areas since the beginning of 2007:

- Business Strategy & Process Management
- Marketing Strategy & Customer Management
- IT-Strategy & IT-Efficiency
- Technology Management & IT-Architecture

Business Strategy & Process Management

Our objective continues to position IT-Strategy as the key element of Business Strategy. The main tasks incorporate the timely recognition of developments in information technology and to take this into consideration when designing the Business Strategy. Subsequently, we consider the design and modification of key processes keeping in mind meaningful optimization.

Marketing Strategy & Customer Management

Where our competitors are faced with the definition and negotiations of e-Business with respect to marketing and customer management as part of IT-Consulting, we continue to realize that customer relations management is an integral component of our business. Hence, all channels are treated with the same top priority as the basis of our consulting; whereby the aligning of customer evaluation is correspondingly coordinated.

IT-Strategy & IT-Efficiency

The analysis and tapping of potential to spur efficiency in IT areas has been a key component of our business since over 20 years. In contrast to Business Strategy & Process Management, we place emphasis on an efficiently designed IT-System within the context of the Business Strategy. More and more of our customers pose IT-strategic issues that deal with the use contribution of IT accompanying the core business of their companies. A pure cost controlling of IT is not sufficient to sustain the company's strategic goals in ever-changing markets. This means that plenum Consulting needs to adapt to the specific issues at hand in our target industries.

Which effects can be obtained from IT investments? How can I apply, measure and monitor this? plenum offers concrete support via IT Value Management with practice-oriented methods to demonstrate IT success with effective key figures and business plans. Most often, IT budgets or IT project portfolios can be more targeted to specific business-use effects in this manner.

The key themes of our consulting projects continue to include strategic decisions as to the depth of IT services in own companies to be provided and the manner in which the IT service provider should efficiently address IT applications. plenum has proven that our consulting firm is a specialist on a national and international scale as based on a number of references: IT-operated change processes of our customers are understood to be within the context of industry challenges. The single foremost feature of plenum also includes implementing such as IT strategic issues surrounding a complex customer situation with several respective partners, if necessary.

Technology Management & IT-Architecture

Flexibility with simultaneous complexity. Our customers are required to quickly respond and adapt to constantly changing framework conditions. This is caused by statutory changes, such as the VVG and health care reform. The quality of IT-Architecture then becomes a decisive factor for its ability to quickly adapt.

Communications

The profiling of the Communications business, which began in 2004, has been successfully continued in 2006. plenum Communication GmbH has again positioned itself under the brand “plenum stoll & fischbach” as an “owner-operated” agency. Acting as a media-neutral service provider, plenum stoll & fischbach successfully expanded its business in Herrenberg in all three sectors: classic, Internet and PR.

Based on gross sales revenues of TEUR 11,657, the Communications segment was considerably above the prior year's revenue level of TEUR 9,692. The share of the Communications segment in the Group's gross sales revenues rose from 34.5 % in 2005 to 41.9 % in 2006. The loss (EBIT) of TEUR -88 was significantly lower than in the previous year (TEUR –1,326), which above all resulted from the favorable development of sales revenues.

Based on new orders of TEUR 9,332 in the previous year, new orders in 2006 increased by TEUR 2,820 to TEUR 12,152. This led to a rise in the order backlog from TEUR 2,102 to TEUR 2,991. This backlog had a mean calculated lifespan of 3.1 months on the basis of the 2006 fourth quarter revenues.

Fee revenues in the amount of TEUR 6,339 significantly increased versus TEUR 5,682 in 2005.

Integrated brand communication

plenum stoll & fischbach won several pitches during the first quarter, among these was a major German chemical group. This group was accompanied in its global relaunch by way of its function as Online Design Lead Agent. Also, the crossmedia project from Oxford was won, which belongs to the international Landré group. Landré, an office materials manufacturer, distributes writing paper pads and notepads for specific uses under this brand name.

A highlight for plenum stoll & fischbach is the acquisition of project as part of a pitch in Dubai. This project deals with marketing of the Dubai-Metro, which is scheduled to be constructed in the Emirates by 2010. plenum stoll & fischbach is the international Lead Agent for the traffic project for Dubai Metro, which was won against top-notch competitors. The framework agreement and marketing plan was signed at the end of June for the first 12 months. This represents a major project in the firm's history.

Moreover, the relaunch of several websites was a predominant theme at plenum stoll & fischbach. Hence, numerous Internet presentations for customers were revised, in particular afri cola and dpg. The Internet pages of dpg, the German bottle deposit system, serves as a service and information platform for journalists, consumers and commerce and provide clarity to complex topics, such as recycled packaging. With afri and dpg, the PR unit of plenum stoll & fischbach gained two new customers.

In December plenum stoll & fischbach welcomed a prominent new customer in the food sector in Herrenberg. The Italian market leader for mascarpone, mozzarella and gorgonzola cheeses, Galbani, will be guided by the proven food team of the PR unit. stoll & fischbach developed an Internet Booking Engine for AIDA Cruises, the renowned German cruise ship travel service; this was successfully commenced in the first quarter. The customer relationship of 10 years with Andreas Stihl, the market leader for power saws, was more firmly established. plenum stoll & fischbach was also the Lead Agent in the relaunch of the Intranet.

Interactive Marketing

The spin-off of the Cologne office of plenum Communication GmbH in 2005 improved the profiling of the interactive marketing unit in a lasting manner. DOM realized many projects in the first quarter 2006, which underscores the innovative performance of the company. Alongside websites, applications in mobile phones also stood in the foreground. For example, Wella AG (producer of hair care products): users receive a list of hairdressers in their vicinity per SMS call – and always in the direct vicinity from the location called.

Web'n'walk, the mobile Internet, is not just the talk of the town due to the massive TV-campaign from T-Mobile. DOM developed the implementation for Internet – starting with the concept for the Foto-Shooting and ending with publicizing. The extensive section under T-Mobile.de is in the second phase of implementation, including an internationally popular Pop star as a Special.

Implementation

Gross sales revenues from implementation services further dropped from TEUR 9,018 in 2005 to TEUR 4,362 in 2006. Accordingly, the share in Group gross sales revenues significantly fell from 32.1 % to 15.7 %. This development is particularly due to the sales reduction from the major Phoenics project, which alone contributed 11.8% (2005: 28.7 %) to the Group gross sales revenues.

New orders of this segment totalling TEUR 4,065 corresponded to sales revenues. At the end of the year under review, the Implementation segment had an order backlog of TEUR 826 (2005: TEUR 1,124). This backlog had a mean calculated lifespan of 2.2 months on the basis of the 2006 fourth quarter revenues.

The segment result (EBIT) of TEUR 175 improved over the loss of TEUR – 666 in 2005.

The decision made in 2005 to withdraw from implementation and software development business following a strong price drop continued in 2006 and the transfer of the partial operations in Leinfelden of plenum Management Consulting GmbH to NovaTec GmbH was concluded on January 1, 2007. At the same time a strategic cooperation with NovaTec GmbH was concluded. Our performance has been improved with a simultaneous strengthening of our key competences by way of the mutually aligned technological laboratory.

During the course of this development, plenum Systems successfully supported an international chemicals group with the expansion of an adapted Training Management System. Training Management processes were optimized and largely automated via the new solutions. In addition, the introduction of PISA cost savings in training administration and improvements in service quality were realized. In this context, plenum Systems received the order to implement the PISA solution for event management for staff development.

IV. Net Assets and Financial Position

The cash and cash equivalents / securities balance declined by TEUR 2,253 or 38.6% to TEUR 3,581 at the end of 2006 compared with 2005. This decline corresponds largely to the cash flow used for operating activities. The company‘s ability to fund itself from own capital inflows primarily depends on the net results of the period. Based on significantly positive net earnings, own funding is generally possible, because the business model of the company is not very capital-intensive.

Trade accounts receivable increased by TEUR 674 to TEUR 4,138, which was mainly due to the rise in unbilled revenues.

The non-current tax receivable arose from the capitalization of an accrued corporate income tax reduction credit, which will be reimbursed to plenum between 2008 and 2017.

The decline in net liquidity (cash and cash equivalents / securities less current bank liabilities and advance payments received) to TEUR 3,384 (12/31/2005: TEUR 5,477) mostly corresponds to the drop in cash and cash equivalents / securities.

Internally generated intangible assets are not contained in the asset positions of the balance sheet. Leased business space and company vehicles are also not capitalized.

On the liabilities side of the balance sheet, current and non-current provisions receded by TEUR 1,191 as a result of the release of provisions.

Other current liabilities rose by 58 % to TEUR 834 in 2006.

Current liabilities are covered by 68.1 % (12/31/2005: 106 %) by cash and cash equivalents.

Non-current liabilities fell by TEUR 678 or 40.4 % year-on-year to TEUR 999, which was primarily due to the decline of non-current provisions.

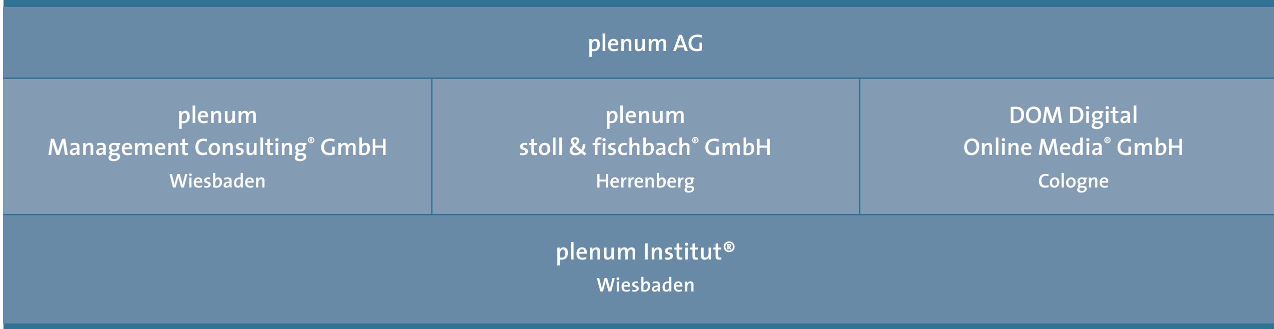
The equity ratio improved from 42 % to 44.6 % relative to the previous year and is therefore at an all time high. The rise in the equity ratio primarily occurred from the curtailment of the balance sheet. The long term financial position (the ratio of non-current assets to non-current equity) remained unchanged at 0.3. The short term financial position (the ratio of current assets to current equity) also remained unchanged at 1.8.

The Group‘s investing activities continued to be conservative. Investments in software and property, plant and equipment amounting to TEUR 235 (2005: TEUR 358) dropped by 34.4 %. Replacement investments were primarily conducted. In addition to necessary replacements in 2006, no further significant capital expenditures are planned.

V. plenum AG

As the parent company of the plenum Group, plenum AG acts as the management holding company. plenum AG‘s business is largely performed by its affiliated companies: plenum Management Consulting GmbH, plenum stoll & fischbach GmbH and DOM Digital Online Media GmbH. Control and profit transfer agreements exist with all three companies. The affiliated companies obtain centralized services from plenum AG, such as for example, accounting, human resources, travel and vehicle fleet management, public relations and marketing. Moreover, the companies are included in the cash pool management of plenum AG. All cash and cash equivalents of the Group are administered by the central Cash Management of plenum AG.

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



Organizational structure of the plenum Group as of December 2006

In the year under review, plenum AG received net income from plenum Management Consulting GmbH in the amount of TEUR 1,246 and offset losses reported by plenum stoll & fischbach GmbH amounting to TEUR 101 and by DOM Digital Online Media GmbH amounting to TEUR 120. The subsidiary's losses absorbed were more than compensated by the net profits. The results of TEUR 1,025 contributed by the subsidiaries are positive in total, compared with a net loss of TEUR 2,838 required to be offset in the previous year. Effective January 1, 2006, plenum Systems GmbH was merged with plenum Management Consulting GmbH. Since both companies were co-subsidiaries, neither profits nor losses were incurred from the merger. The investment carrying value of plenum Management Consulting GmbH was increased to the carrying value of plenum Systems GmbH. The investment carrying value of the subsidiary remained unchanged year-on-year.

In all, plenum AG realized losses of TEUR 208 (2005: TEUR 1,096) in 2006. plenum AG's equity amounted to TEUR 6,878 (12/31/2005: TEUR 7,085). The accumulated deficit situation could not be averted. Total stockholders' equity represents 71.8 % of plenum AG's capital stock amount.

Since distributable capital is not available to plenum AG, a proposal for the appropriation of earnings has not been made.

The Management Board of plenum AG declined by one member to four members during the financial year. Mr. Stoll resigned from the board in order to step-up his efforts in the management of plenum stoll & fischbach GmbH.

VI. Employees

The number of employees in the plenum Group as of December 31, 2006 totalled 188 persons. This represents a drop of 3.6 % compared with the prior year's total of 195 employees. The average number of employees for 2006 was 190 (2005: 221). Half way through 2006, we downsized about 40 % of the administrative positions of plenum AG in Wiesbaden.

The personnel expenses for 2006 receded by 6.0 % year-on-year to TEUR 14,991. The ratio of personnel costs to revenues slightly fell to 56.5 % compared with 58.1 % in 2005. In contrast, the personnel expenses per employee averaging at TEUR 78.9 rose by 9.6 % over 2005.

Management's and employees' commitment and competence are decisive success factors for the future development of plenum. The expansion of in-house continuing education programs and systematic management development were consequently pursued in the year under review.

VII. Corporate Governance

On December 20, 2006, the Management Board and the Supervisory Board submitted a Declaration of Conformity to the recommendations of the regulatory commission for the German Corporate Governance Code pursuant to Article 161 of the German Stock Corporation Act (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.

VIII. Risk Report

A detailed planning and monitoring process coupled with systematic risk management enable plenum to detect risks at an early stage and to recognize and prevent potential risks. Risk management is an integral part of business processes and corporate decisions and is linked to internal reporting. The entire Management Board bears direct responsibility for the timely detection and control of risks. Operational risk management is largely performed by the finance divisions of plenum AG and the affiliated companies.

In addition to monthly reporting by the subsidiaries on existing and foreseeable risks, the risk management is supported by comprehensive reporting and controlling structures and by the central cash management at the Group level. Special emphasis is placed on financial risks, optimized corporate financing and market risks, which particularly address price fluctuations, default and liquidity risks as well as risks from cash flow fluctuations. Risk monitoring covers the planning, execution and profitability controls of suitable countermeasures.

Risk management is constantly developed further and adapted to the current requirements within the annual strategy and planning meetings.

Market risks

pBased on the nature of plenum's business activities, it is exposed to normal business risks such as demand drops, price pressure and credit risks. Arising from the worsened economic framework conditions, plenum was partly subject to intense price pressure from the competition.

Dependence on a single major customer receded significantly in 2006 due to the substantially lower revenue share of 12.4 % (2005: 29.4 %). Revenue generated from this customer in 2007 will represent only immaterial revenue. A capacity utilization risk does not arise from the decline in sales revenues, because partial operations in Leinfelden of plenum Management Consulting GmbH, which provides the majority of project employees for this project, were sold effective January 1, 2007.

The revenue share of the ten largest customers declined from 55.9 % to 47.7 % due to lower revenues from major customers.

Significant specified Services Contracts ("Werkvertrag" – contracts that require plenum to design, develop, manufacture or modify products or a system to a buyer's specifications) were not completed in 2006. plenum counters the risk from customer and supplier agreements by way of contract arrangements, qualified project management and detailed project controlling.

Financial risks

Cash outflows for cash and cash equivalents in the amount of TEUR –2,253 (2005: TEUR –798) were again reported in the financial year. To counter financial risks from cash outflows, investments, new hires and current operating costs continue to be strictly budgeted and systematically controlled. Furthermore, additional staff downsizing was carried out, the full impact on earnings and liquidity of which will first be noticed in 2007. Strict cost cuts in light of economic developments which are difficult to project continue to have highest priority. Management's focus continues to be on maintaining financial independence to a large extent. This objective is supported by way of professional central cash and receivables management as well as a short term and non-risk investment policy.

Appropriate precautionary measures are undertaken for existing receivables risks to the extent that the incurrence of such risks is probable. In general, the broad customer base however ensures a relatively minimum risk in this regard. Possible risks from outstanding receivables due from the Road and Transport Authority in Dubai can not be quantified due to the lack of experience in dealing with these customers. Active debt management including debt collection contribute to the reduction in insolvency risk. Valuation allowances for anticipated losses from bad debts have been recognized in the amount of TEUR 166 (2005: TEUR 122).

The risk from foreign currency exchange rate fluctuations is continuously monitored. Receivables denominated in foreign currencies amounted to TEUR 534 as of December 31, 2006.

Further risks

The backbone of our company lies in the performance of our employees. In order to remain competitive, it is necessary to ensure the loyalty of highly qualified specialists. Short and long term incentive models and comprehensive qualification measures are being implemented to address these issues.

Significant risks arising from pending legal disputes extending beyond the existing provisions do not exist.

Overall risk

In summary it should be stated that at the present time, the following items are of utmost importance to plenum: economical risks, dependence on the development of individual industries and the expansion of IT Management Consulting. Based on risk analysis, the estimation of probability incurrence and assessment of the effectiveness of countermeasures, management is of the view that there are no risks from today's perspective which could threaten the going concern of plenum AG and its subsidiaries.

IX. Outlook

Economic prospects

The growth prospects for 2007 are promising. The German Society for Management Research (DGMF) in Berlin raised their previous forecast for 2007 from 1.8 % to 2 %. According to a survey from the Chamber of Commerce growth of 2.3 % is anticipated. The VAT increase effective January 1, 2007 has not shown such negative effects as previously expected. According to DGMF, this can not be completely passed on to the customer. The DGMF considers another rise of 2.5 % as realistic for 2008.

Boosted revenues in the consulting sector are anticipated in 2007: based on a survey from the Federal Association of German Management Consultants (BDU), 84 % of market participants are expected to further improve the business situation. BDU's revenue forecast for 2007 is 11 %. The rising trend in the consulting company's share in foreign sales will continue according to BDU's expectations: Every fourth consulting firm, with revenues previously generated exclusively in Germany, plans to expand their foreign activities in Central Europe and Eastern Europe until 2010. For mid-sized consulting firms in the revenue category of EUR 2.5 – 5 million, the rate is 40 %. Even the smaller consulting firms plan to conduct increased consulting projects across the border.

According to the BITKOM association, the growth tempo of the ITC market will be maintained in the following year. Hence, BITKOM estimates a rise in the overall market of 1.6 % to EUR 148.8 billion for 2007.

The sustainability of the growth trend for the German Advertising market is depicted in a Nielsen Media Research at the beginning of 2007. This survey assumes that gross expenditures for classic advertising will amount to 1.398 billion in January 2007. Compared with the prior period, this corresponds to a plus of 5.6 %. Other studies also estimate that the Online share in total net advertising market in Germany will be three times higher in 2010 than in 2006. 15 % of all net advertising expenditures are anticipated to relate to the Online business. This was only 6 % in the past financial year.

Business Strategy 2007

In our opinion, the first phase of the refocusing strategy was successfully completed in 2006. This is evidenced by

- the withdrawal from a pure implementation business
- profiling by both agencies under one brand name
- focus on Management Consulting
- return to profitability.

In the following second phase of the refocusing strategy, we will expand our consulting business at home in Germany, in Switzerland and Austria and to further investigate acquisition possibilities. At the same time, we will enter globalization on a step-by-step basis. This first step has been achieved with the founding of plenum FZ-LLC in Dubai (UAE).

At the same time, we will significantly increase efficiency in the communications segment and therefore noticeably improve our economic performance.

Outlook

We anticipate further growth of about 20% in 2007 in both the Consulting and Communications segments, which will completely compensate the absence of revenues from the Software-Implementation business. We estimate total revenues to amount to EUR 26.5 million. Earnings are expected to rise by about 1.4 million resulting in an EBIT of EUR 0.5 million. Starting in 2008 we assume average growth of sales revenues of 10 % and an incremental increase in the EBIT margin to 12 %.

X. Remuneration Report

Management Board Remuneration

Remuneration paid to the management board members comprises fixed and variable (bonus) components. The variable component is based on a target agreement predetermined between the management board and the supervisory board. In the year under review, the management board remuneration totalled TEUR 1,319 (12/31/2005: TEUR 1,201). Of which, TEUR 1,071 relates to the fixed component and TEUR 128 to the variable component. The total remuneration contains personnel-related and other benefits in the amount of TEUR 120, which are mostly for amounts allowed under tax provisions, such as for company cars and insurance contributions. These benefits are contractually allowed to the board members, vary depending on the respective personal situation and are individually taxed by the board members. The remuneration stated relates to compensating the activities rendered by the management board of plenum AG and the activities rendered by management of the subsidiaries. Other remuneration agreements, such as for termination benefits, stock option plans, short-term credits, rules concerning termination in the event of ownership changes, etc. do not exist. A pension provision recognised for one board member amounts to TEUR 211 (12/31/2005: TEUR 182) as of December 31, 2006. The remuneration information is presented in the notes to the financial statements under note 37.

Supervisory Board Remuneration

Remuneration paid to the supervisory board members is determined by the shareholder's meeting and is prescribed under Section 13 of the articles of incorporation of plenum AG. In 2006, the fixed remuneration component for each member was TEUR 5 and TEUR 10 for the chairman. In addition, each member receives TEUR 1 for each meeting attended, which is payable after the end of the financial year. Furthermore, in addition to the basic remuneration, the supervisory board members are also allowed an incentive bonus depending on the earnings of plenum AG, if and when such an incentive bonus is resolved by the shareholders' meeting. In all, an amount of TEUR 38 was provided for supervisory board remuneration in 2006 (12/31/2005: TEUR 38).

XI. Events After the Balance Sheet Date

Effective February 28, 2007, plenum FZ-LLC was formed with its registered office in Dubai. The company is a wholly-owned subsidiary of plenum AG.

XII. Additional Disclosures

Composition of capital stock and right restrictions

Capital stock totals EUR 9,577,068 and is divided into 9,577,068 no-par value shares. The shares are all common stock and bearer shares. Restrictions to voting rights or transferability of single shares do not exist on the part of the company. The Management Board of plenum AG is aware of one arrangement between stockholders, which binds the voting rights of 110,440 shares.

The Management Board's chairman and founder of plenum AG, Hartmut Skubch, holds a 10% shareholding interest.

Management Board's authority for the issuance and repurchase of shares

According to Article 5 (3) of the company's statues, the Management Board is authorized, with the approval of the Supervisory Board, to increase the company's capital stock up to 4,788,534.00 by one or more issuances of up to 4,788,534 bearer shares against cash and/or contribution in kind (authorized capital I) until July 2, 2011.

According to Article 5 (4) of the company's statutes, the capital stock can be increased up to EUR 957,000.00 by issuing up to 957,000 conditional new bearer shares (conditional capital). This conditional capital increase serves exclusively for the issuance of stock options until June 13, 2007.

According to Article 5 (4a) of the company's statutes, the capital stock can be increased on a conditional basis up to EUR 3,831,534.00 by issuing up to 3,831,534 new bearer shares (conditional capital II). This conditional capital increase was authorized exclusively to serve the convertible rights or option rights that can be issued until July 2, 2011.

According to the ordinary stockholders' meeting resolution dated July 3, 2006, the company is authorized to acquire own shares up to a share in capital stock of 10 % until December 31, 2007. The stock can be acquired through the stock exchange, a public purchase bid to all stockholders or off-the-board.

Requirements concerning the appointment and dismissal of Management Board members and statute amendments

The Management Board is appointed and dismissed pursuant to Articles 84 and 85 AktG.

The Supervisory Board is authorized under Article 12 (2) of the company's statutes to conduct amendments to the statutes, which relate only to that version. Moreover, Article 179 AktG applies to statute amendments.

Other disclosures

Material agreements subject to stipulations for a change in control of the company is not known to the Management Board.

Damage claims of the company with members of the Management board in the case of a change in control do not exist.

Consolidated Income Statement

€ thousands	Note	2006	2005*
Sales revenues	7	26,539	27,453
Cost of revenues	8	–22,012	–24,971
Gross profit		**4,527**	**2,482**
Selling expenses	9	–2,488	–3,079
General and administrative expenses	10	–3,615	–3,278
Research and development expenses	11	–629	–430
Other operating income and expenses	12	1,324	931
Operating result		**–881**	**–3,374**
Financial result	13	133	161
Result from continuing operations before income taxes		**–748**	**–3,213**
Income taxes	14	604	55
– of which TEUR 23 for income from the release of tax provisions			
Group net loss		**–144**	**–3,158**
Earnings per share (in €, undiluted)	15	–0,02	–0,33
Earnings per share (in €, diluted)	15	–0,01	–0,33
Average number of shares outstanding (in thousands, undiluted)	15	9.577	9,577
Average number of shares outstanding (in thousands, diluted)	15	9,626	9,577

* Vorjahreszahlen angepasst wegen Änderung der Bilanzierungsmethode der Pensionsverpflichtungen (siehe hierzu Textziffer 23)

Consolidated Balance Sheet

Assets € thousands	Note	Dec. 31, 2006	Dec. 31, 2005
Cash and cash equivalents/securities	16	3,581	5,834
Trade accounts receivable	17	4,138	3,464
Inventories	18	4	60
Prepaid expenses and other current assets	17	507	337
Total current assets		**9,437**	**10,852**
Property, plant and equipment	19	797	1,067
Intangible assets	19	142	244
Financial assets	19	90	123
Non-current tax receivables	20	731	0
Loans	19	1,207	1,157
Deferred tax assets	14	98	65
Total non-current assets		**1,858**	**1,499**
Total assets		**11,295**	**12,351**

Liabilities and stockholders' equity € thousands	Note	Dec. 31, 2006	Dec. 31, 2005
Current portion of long-term debt	21	0	18
Trade accounts payable	21	814	858
Advance payments received	21	197	339
Current provisions	22	3,411	3,747
Other current liabilities	21	834	528
Total current liabilities		**5,256**	**5,490**
Long-term debt	21	0	44
Non-current provisions	22	0	855
Deferred tax liabilities	14	107	8
Pension provisions	23	892	770
Total non-current liabilities		**999**	**1,667**
Capital stock	24	9,577	9,577
Capital reserves		14,224	14,177
Treasury stock	24	−83	−83
Income and expenses recognized directly in stockholders' equity		−52	−5
Accumulated deficit		−18,626	−18,482
Total stockholders' equity		**5,040**	**5,184**
Total liabilities and stockholders' equity		**11,295**	**12,351**

Presentation of Recognized Income and Expense

Tsd. €	2006	2005
Group net result	–144	–3.158
Actuarial losses on defined benefit obligations for pensions and other post-employment benefits	–79	–9
Deferred taxes	32	4
Summe der erfassten Erträge und Aufwendungen	–191	–3.163

Development of non-operating income and expenses recognized directly in stockholders' equity

Tsd. €	Offset of actuarial gains and losses
Balance at Jan. 1, 2005	0
Additions	–9
Releases	
Deferred Taxes	4
Balance at Dec. 31, 2005	–5
Balance at Jan. 1, 2006	–5
Additions	–79
Releases	
Deferred Taxes	32
Balance at Dec. 31, 2006	–52

Statement of Changes in Stockholders' Equity

€ thousands	Number of shares in thousands	Group net result	Capital stock	Capital reserves	Treasury stock	Income and expense recognized directly in stockholders' equity	Accumulated deficit	Total stockholders' equity
January 1, 2005	9.577		9.577	14.151	–83	0	–15.324	8.321
Stock Options				26				26
Actuarial gains/ (losses)						–9		–9
Deferred taxes						4		4
Group net result		–3.158					–3.158	–3.158
December 31, 2005	9.577		9.577	14.177	–83	–5	–18.482	5.184
January 1, 2006	9.577		9.577	14.177	–83	–5	–18.482	5.184
Stock Options				47				47
Actuarial gains/ (losses)						–79		–79
Deferred taxes						32		32
Group net result		–144					–144	–144
December 31, 2006	9.577		9.577	14.224	–83	–52	–18.626	5.040

Consolidated Cash Flow Statement

€ thousands	2006	2005
Group net loss	–144	–3,163
Depreciation and amortization	553	678
Income taxes	–604	59
Gains on retirements of intangible assets and property, plant and equipment	4	61
Financial result	–133	–162
Other non-cash expenditures and income	–681	20
Changes in working capital		
Change in inventories	56	20
Change in receivables	–674	5,859
Change in prepaid expenses and other current assets	604	–26
Change in trade accounts payable	–44	–1,005
Change in other liabilities	164	–388
Change in provisions	–1,069	–2,390
Change in other assets and liabilities	–62	–88
Proceeds from interest	65	80
Proceeds from dividends	0	3
Proceeds for income taxes	–80	0
Cash flows used for operating activities	**–2,045**	**–442**
Cash inflows from sales of intangible assets and property, plant and equipment	49	20
Cash inflows from non-current financial assets	39	0
Cash outflows for additions to intangible assets and property, plant and equipment	–235	–358
Cash flows used for investing activities	**–147**	**–338**
Retirements of debt	–61	–18
Cash flows used for financing activities	**–61**	**–18**
Change in cash and cash equivalents	**–2,253**	**–798**
Cash and cash equivalents/securities at the beginning of the period	5,834	6,632
Cash and cash equivalents/securities at the end of the period[1]	3,581	5,834

* Cash and cash equivalents comprise of liquid funds of TEUR 2,922 (12/31/2005: TEUR 3,548) and securities of TEUR 659 (12/31/2005: TEUR 2,286).

Segment Information

€ thousands		Consulting	Communi-cations	Implemen-tation	Total [2]
Gross sales revenues	CY	11,821	11,657	4,362	27,840
	PY	*9,366*	*9,692*	*9,018*	*28,076*
Intercompany sales [1]	CY	907	394	0	1,301
	PY	*364*	*258*	*1*	*623*
Net sales revenues	CY	10,914	11,263	4,362	26,539
	PY	*9,002*	*9,434*	*9,017*	*27,453*
Depreciation and amortization	CY	−184	−217	0	−401
	PY	*−218*	*−251*	*0*	*−469*
Other segment costs	CY	−9,705	−11,134	−4,187	−25,026
	PY	*−9,723*	*−10,509*	*−9,683*	*−29,915*
Segment results (EBIT)	CY	1,025	−88	175	1,112
	PY	*−939*	*−1,326*	*−666*	*−2,931*
Segment assets as at Dec. 31	CY	3,798	2,252	763	6,813
	PY	*3,460*	*1,931*	*670*	*6,061*
Segment liabilities as at Dec. 31	CY	−1,605	−2,161	−1,617	−5,383
	PY	*−2,035*	*−2,299*	*−2,691*	*−7,025*
Segment investments	CY	56	176	0	232
	PY	*21*	*324*	*0*	*345*

CY = Current year; PY = Prior year
[1] Sales between segments
[2] Reconciliation to Group net results and Group assets under note 32

Impairment losses included in the respective segment results:

€ thousands	2006
Consulting	52
Communications	58
Implementation	27
Total	137

Notes to the Consolidated Financial Statements

A. Basis of presentation

1. General accounting policies

plenum AG and its subsidiaries (together referred to as "Plenum Group") render consultancy services in the segments: IT-Strategy and Business Alignment, IT-Efficiency and IT-Governance, IT- Architecture and Technology Consulting, Customer Relationship Management (CRM) and eBusiness. Moreover, the Group operates communications business for trademark communications and interactive marketing.

The company is an enterprise based on German law with its registered office located at 65203 Wiesbaden, Hagenauer Str. 53.

The Management Board approved the accompanying consolidated financial statements for publishing on April 16, 2007.

It has been resolved to apply the exemption provisions under Article 264 Para. 3 of the German Commercial Code (HGB) for plenum Management Consulting GmbH, Wiesbaden, plenum stoll & fischbach GmbH, Herrenberg, and DOM Digital Online Media GmbH, Cologne, for the financial year ended 2006.

The consolidated financial statements of plenum AG and its subsidiaries (hereinafter referred to as "plenum" or "the Group") have been prepared in conformity with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), London, which are recognized by the European Union, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The preparation of the consolidated financial statements is made on the principle of the historical cost of acquisition and production, which are reflected at the fair value of the financial assets and financial liabilities. The fair value is based on the current offer price if a market exists for that item. Where no active market exists, the fair value is determined on the basis of an appropriate valuation method. This comprises purchases and recent transactions, current market prices of similar assets, discounted cash flow method (DCF) and option price models.

The recognized accounting and valuation principles are presented in detail in the explanations to the respective positions.
The income statement is prepared using the internationally accepted cost of sales method. The consolidated financial statements are drawn up in euros (EUR). Amounts are stated in thousands of euros (TEUR) except where otherwise indicated.

IAS 19 (Employee Benefits) contains an option for the accounting treatment of actuarial gains and losses from defined benefit plans. In 2006 the accounting of the pension obligations was changed, whereby such gains and losses are now recognized directly in stockholders' equity. The provisions under IAS 8 (Accounting Policies, Changes in Accounting Estimates and Error) require a restatement of comparative figures of the income statement for the financial year 2005. This has been waived, because the actuarial losses for 2005 were only TEUR 9.

Scope of consolidation

All subsidiaries in which plenum holds, directly or indirectly, the majority of voting rights (affiliated companies) are fully consolidated.

The number of consolidated companies declined from four to three due to the merger of plenum Systems GmbH with plenum Management Consulting GmbH (both based in Wiesbaden), effective January 1, 2006. Since the merger represents a reclassification within the Group, there is no impact on the result in the consolidated financial statements.

Investments in associates and interests in Joint Ventures do not exist.

An overview of all affiliated companies at the balance sheet date is attached as an attachment to the notes.

B. Summary of significant consolidation, accounting and valuation principles

Consolidation principles

The annual financial statements of the affiliated companies are included in the consolidated financial statements in conformity with 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 has been respectively maintained.

Capital consolidation is performed according to the purchase method. According to the purchase method, the acquisition costs are offset against the prorated equity to the parent company at the date of acquisition or first time consolidation. Any residual positive difference is capitalized as goodwill and written-down, if required, on the basis of impairment tests performed, if the carrying value of goodwill exceeds the present value of the expected inflows from the asset. 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 intra-group 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.

4. Foreign currency translation

The annual financial statements as of December 31, 2006 exclusively comprise domestic companies using euros 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.

5. 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:

- Revenues from rendering services that are recognized according to the percentage-of-completion method. The Group estimates the portion of services already rendered as of the balance sheet date from the total services yet to be rendered.

- The Group renders services subject to a warranty. Management estimates the amount of the provision for future warranty obligations on the basis of historical utilization of warranties but also considers current trends that could indicate that past costs could differ from future ones.

- The present value of the pension obligations depends on a number of factors based on actuarial parameters. The calculation of the net expense (income) for pension parameters is based on a discount rate. Every change in these parameters directly affects the carrying value of the pension obligations.

- The Group applies an appropriate discount rate at the end of every year for obligations to be shown at present value.
- The Group observes the recommendations under IAS 39 (Financial Instruments: Recognition and Measurement) with respect to assessing as to whether the financial assets are permanently impaired. Material assumptions must be made in making such estimates. Besides other factors, the Group assesses the duration and extent in which the fair value of financial assets is below their respective carrying values, the financial position and the business perspectives of the company's investments including profitably and industry-specific performance, technological advances and the development of cash flows from operating activities and financing activities.

- 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 asset.

- 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, anticipated legal fees and other uncertain liabilities. The amount of anticipated losses is based on estimates of costs still necessary to realize the contractually agreed services and on expert opinions of the attorney.

6. Newly issued accounting standards

The accompanying consolidated financial statements as of December 31, 2006 include those Standards and Interpretations that had to be applied for the first time. Earlier adoption of issued Standards or Interpretations was waived.

None of the following new or revised Standards or Interpretations had a material impact on the accounting and valuation principles used in the consolidated financial statements of plenum AG.

In 2006 the following accounting Standards and Interpretations had to be applied for the first time:

– IFRIC 8 (Scope of IFRS 2): Effective May 1, 2006
– IFRIC 9 (Reassessment of Embedded Derivatives): Effective June 1, 2006
– IFRIC 10 (Interim Financial Reporting and Impairment): Effective November 1, 2006

Standards issued or amendments to issued Standards or Interpretations that are not yet mandatory include the following:

– IFRS 7 (Financial Instruments - Disclosures): Effective January 1, 2007
– IFRS 8 (Operating Segments): Effective January 1, 2009
– IFRIC 11 (IFRS 2 - Group and Treasury Share Transactions): Effective March 1, 2007
– IFRIC 12 (Service Concession Arrangements): Effective January 1, 2008

C. Notes to the Consolidated Income Statement

7. Sales revenues

Sales revenues comprise the fair value of consideration received or to be received from the sale of goods or rendering of services as part of normal business activities. Sales revenues are reported exclusive of sales taxes, returns, rebates and price discounts and after elimination of intercompany sales.

Under IFRS, long term Specified Services Contracts are accounted for according to the percentage-of-completion method provided the necessary conditions are satisfied. According to this method, contract costs are recognized when incurred. The application of this method leads to partial revenue recognition before completion of the contract for Specified Services Contracts and increases revenues by the corresponding amount.

Sales from the rendering of services are recognized according to the stage of completion in relation to rendered and total services to be rendered in the year in which the services are rendered.

Where the result from construction contracts can not be reliably measured, the contract revenues are recognized only to the extent that contract costs incurred are most probably reimbursable.

Where the result from construction contracts can be reliably measured and it is probable that the contract will be profitable, the contract revenues are recognized over the contract term. If it is probable that total contract costs will exceed total contract revenues, the anticipated loss is immediately recognized to expense. The stage of completion corresponds to the percentage rate of contract costs incurred as of the balance sheet date in relation to the expected total costs of the contract. Costs incurred during the current year in connection with future activities of a contract are not included in the contract costs in determining the stage of completion. Such costs are recognized under inventories, advance payments or other assets, depending on their nature. plenum AG reports all current construction contracts with debit balances due from customers as assets for contracts in which costs incurred plus profits recognized (or less recognized losses) exceed total partial billings. Partial billings not yet paid by customers are reported under trade accounts receivable. the Group reports all current construction contracts with credit balances due from customers as liabilities for contracts in which the total of partial billings exceed costs incurred plus recognized profits (or less recognized losses).

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 expenses

Selling expenses comprise all costs for activities that do not directly increase the 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 costs are expensed as incurred, provided that no significant costs were incurred in the period between technological availability and market maturity. An amount of TEUR 629 (2005: TEUR 430) was expensed as incurred in 2006.

12. Other operating income and expenses

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

Other operating income

€ thousands	2006	2005
Income from the release of provisions	1.243	816
Income from the reduction of valuation allowances	87	77
Foreign currency translation differences	1	2
Other	93	69
	1.424	964

The income from the release of provisions relates to provisions for warranties in the amount of TEUR 393 (2005: TEUR 0), for travel expenses of T 386 (2005: TEUR 0), for sales deductions of TEUR 192 (2005: TEUR 0), for personnel of TEUR 114 (2005: TEUR 114), for outstanding invoices of TEUR 114 (2005: TEUR 630) and other provisions of TEUR 44 (2005: TEUR 64).

The remaining other operating income comprises a refund for sales taxes for the years 1997 – 1999 in the amount of TEUR 66 (2005: TEUR 0).

Other operating expenses

Other operating expenses amounted to TEUR 100 in 2006 (2005: TEUR 33).

13. Financial result

The financial result comprises of the following positions:

€ thousands	2006	2005
Income from investments	22	3
Income from loans under financial assets	50	50
Other interest and similar income	102	125
Interest and similar expenses	–41	–17
	133	161

Other interest and similar income primarily relates to interest from current accounts and short term time deposits and securities (TEUR 76) as well as TEUR 26 for interest income from tax refunds. Interest expenses mostly comprise interest costs for tax back payments in the amount of TEUR 32 for prior periods.

14. Income taxes

Income taxes include taxes paid or payable on income and deferred taxes. Income taxes comprise of trade taxes, corporate income taxes and unification surcharges (the reimbursement of a non-current tax receivable is explained under section D 20).

Income taxes of the Group are broken down as follows:

€ thousands	2006	2005
Current taxes	702	0
Deferred taxes	–98	59
Total income taxes	604	59

Companies with a legal form of a corporation are levied corporate income taxes of 25% (2005: 25%) and unification surcharges of 5.5% of corporate income taxes payable. Furthermore, these companies and their subsidiaries with a legal form of a partnership are subject to trade taxes levied on the basis of the local tax rate. Trade taxes reduce the tax base for corporate income taxes for corporations.

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 balance sheet 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.

Deferred tax assets and deferred tax liabilities are allocated to the following balance sheet positions:

€ thousands	2006	2005
Capital reserves for Stock Options	0	10
Pension provisions	98	64
Intangible assets	0	–9
Deferred tax assets	**98**	**65**
Inventories	0	–17
Receivables	107	14
Advance payments received	0	11
Other provisions	0	0
Deferred tax liabilities	**107**	**8**

Deferred tax liabilities include the full affects from deferred taxes arising from use of the *percentage-of-completion method* on the individual balance sheet positions.

Deferred tax assets and liabilities are offset if a legally enforceable right to set off the recognized amounts exists and if they relate to income taxes levied by the same taxation authority. The table below presents deferred tax amounts expected to be realized on a current (within one year) and non-current basis:

€ thousands	2006	2005
Deferred tax assets > 12 months	98	65
Deferred tax assets < 12 months	0	0
Deferred tax liabilities > 12 months	0	0
Deferred tax liabilities < 12 months	107	8

Deferred taxes developed as follows:

€ thousands	2006	2005
Balance at beginning of the year	57	–2
Expense in the income statement	– 98	59
Amount directly recognized in stockholder's equity	32	0
Balance at end of the year	–9	57

Deferred taxes recognized in stockholders' equity relate to actuarial gains and losses that are also directly recognized in stockholders' equity arising from the valuation of pension obligations.

As of December 31, 2006, tax net operating loss carry forwards consist of TEUR 20,717 (12/31/2005: TEUR 21,869) for corporate income taxes and TEUR 20,657 (12/31/2005: TEUR 24,395) 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 2006 have been fully written-down.

In relation to the Group result before income taxes, the effective tax rate for the reporting year was –91.3 % (2005: –1.8 %). This effect arises from the refund of a non-current tax receivable, which is explained in detail in section D20.

The reconciliation of expected tax charges is based on the current German combined income tax rate in effect of 40.6 %, which remained unchanged from the previous year, and is presented in the table below. The combined income tax rate comprises the corporate income tax rate of 21.8 % after trade taxes, the unification surcharge of 5.5 % and the trade tax rate of 17.6 %.

€ thousands	2006	2005
Net loss before income taxes	−748	−3.222
Expected taxable income	222	1.308
Tax refunds from prior years	692	0
Tax back payments for prior years	−51	0
Valuation allowance on deferred tax assets	−232	−1.302
Taxes on tax-exempt income and non-deductible expenses	−9	50
Others	−18	3
Income taxes	604	59

Deferred tax liabilities were not recognized for temporary differences in connection with shares in affiliated companies (Outside Basis Differences), because the reversal of the differences is not expected in the foreseeable future.

15. Earnings per share and dividends

The earnings per share is calculated by dividing the Group results by the weighted average number of ordinary shares outstanding during the period.

Earnings per share have diluting effects when the average number of shares increases by conversion 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 higher than the exercise price of the option rights. Diluting effects were incurred only in 2006 from the option rights issued in 2005. In 2006 new stock options were not granted.

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.

Dividends were not paid for the financial year 2005; dividend payments are not foreseen for the financial year 2006.

D. Notes to the Consolidated Balance Sheet

16. Cash and cash equivalents/securities

€ thousands	Dec. 31, 2006	Dec. 31, 2005
Cash and cash equivalents	2,922	3,548
Securities	659	2,286
	3,581	5,834

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 659) and are available daily without a notice term.

The effective interest rate for short term money deposits is 2.4 %; these deposits have an average maturity term of 43 days.

17. Receivables and other assets

Receivables are carried at fair value upon initial recognition and at amortized cost upon subsequent measurement.

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 account receivables are broken down as follows:

€ thousands	Dec. 31, 2006	Dec. 31, 2005
Trade accounts receivable	3,743	3,549
Future receivables from project services that have not yet been invoiced	561	37
Less allowances for bad debts	–166	–122
	4,138	3,464

The Group increased the valuation allowance for bad debts by EUR 137 during the financial year. At the same time, the valuation allowance was utilized by TEUR 5 and released by EUR 87. The net balance was recognized under selling expenses in the income statement.

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

€ thousands	Dec. 31, 2006	Dec. 31, 2005
Tax receivables	164	65
Prepaid expenses	270	212
Others	74	60
	508	337

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

18. Inventories

This position mainly comprises project costs for services in progress that have not yet been invoiced.

Additions to inventories are measured at 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, 2005	2,527	1,130	7,119	8,249
Additions	22	90	246	336
Retirements	−45	−53	−2,168	−2,221
Reclassification	1	40	−41	−1
Acquisition costs at Dec. 31, 2005	**2,505**	**1,207**	**5,156**	**6,363**
Accumulated depreciation at Jan. 1, 2005	2,082	800	6,183	6,983
Additions	220	111	347	458
Retirements	−42	−47	−2,097	−2,144
Reclassification	1	12	−13	−1
Accumulated depreciation at Dec. 31, 2005	**2,261**	**876**	**4,420**	**5,296**
Net book value at Dec. 31, 2005	**244**	**331**	**736**	**1,067**
Acquisition costs at Jan. 1, 2006	2,505	1,207	5,156	6,363
Additions	53	0	184	184
Retirements	−1	−53	−320	−373
Reclassification	0	8	−8	0
Accumulated depreciation at Dec. 31, 2006	**2,557**	**1,162**	**5,012**	**6,174**
Accumulated depreciation at Jan. 1, 2006	2,261	876	4,420	5,296
Additions	154	107	292	399
Retirements	0	−44	−274	−318
Reclassification	0	6	−6	0
Accumulated depreciation at Dec. 31, 2006	**2,415**	**945**	**4,432**	**5,377**
Net book value at Dec. 31, 2006	**142**	**217**	**580**	**797**

There are no intangible assets with indefinite useful lives; and there are no internally generated intangible assets.

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 the present value of the expected cash inflows from the asset.

The estimated useful lives within the Group are as follows:

	2006
Software and licenses	3–8 years
Patent rights	10 years
Leasehold improvements	3–11 years
Hardware	3–8 years
Plant and office equipment	3–23 years

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

	2006	2005
Software and licenses	2.9	5.8
Patent rights	10.0	10.0
Leasehold improvements	8.7	8.6
Hardware	2.7	4.4
Plant and office equipment	6.0	10.1

The financial assets developed as follows in 2006:

€ thousands	Financial assets	Loan	Total
Acquisition costs at Jan. 1, 2005	13,988	1,107	15,095
Additions	5	50	55
Disposals	0	0	0
Reclassification	0	0	0
Acquisition costs at Dec. 31, 2005	**13,993**	**1,157**	**15,150**
Accumulated write-downs at Jan. 1, 2005	13,870	0	13,870
Additions	0	0	0
Disposals	0	0	0
Reclassification	0	0	0
Accumulated write-downs at Dec. 31, 2005	**13,870**	**0**	**13,870**
Net book value at Dec. 31, 2005	**123**	**1,157**	**1,280**
Acquisition costs at Jan. 1, 2006	13,993	1,157	15,150
Additions	6	50	56
Disposals	–39	0	–39
Reclassification	0	0	0
Acquisition costs at Dec. 31, 2006	**13,960**	**1,207**	**15,167**
Accumulated write-downs at Jan. 1, 2006	13,870	0	13,870
Additions	0	0	0
Disposals	0	0	0
Reclassification	0	0	0
Accumulated write-downs at Dec. 31, 2006	**13,870**	**0**	**13,870**
Net book value at Dec. 31, 2006	**90**	**1,207**	**1,297**

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 held at fair value through profit or loss.

Financial assets are derecognized when the Group's contractual rights to receive the cash flows from the financial assets expire or the financial assets are transferred, together with all material risks and benefits.

Financial assets available-for-sale and held 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 dates are transferred to reserves without an impact on result. The release of reserves with an impact on result is made either upon disposal or drop in fair value below the carrying value (write-down). Value fluctuations for financial assets held at fair value through profit or loss are recorded with an impact on result. In case the fair value of the unlisted financial assets cannot be reliably measured, the shares are measured at 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 prior financial years and as at December 31, 2006, write-ups were not recognized because according to management, a sale of the securities was not possible due to a lack of demand.

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

The loans granted to Hartmut Skubch (refer to note 33 under related parties) are measured at amortized cost.

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

20. Non-current tax receivable

The non-current tax receivable comprises of corporate income tax refund claims in the amount of TEUR 731. This relates to a corporate income tax credit that will be realized in equivalent amounts over a period of 10 years from 2008 through 2017.

21. Liabilities

The break down of liabilities is as follows:

	Dec. 31, 2006		Dec. 31, 2005	
€ thousands	total	of which > 1 year	total	of which > 1 year
Bank loans	0	0	62	44
Advance payments	197	0	339	0
Trade accounts payable	814	0	858	0
Other liabilities	834	0	528	0
	1,845	0	1,787	44

The bank loans relate to a prior year's loan which was prematurely repaid in January 2006. The loan was subject to an interest rate of 3.75%, a term of 10 years and would have expired in 2009.

The Group has differing credit lines available for cash credit, guarantees, discount or money market credit for daily disposition in the total amount of TEUR 940 (12/31/2005: TEUR 1,500); of which TEUR 650 comprise of cash credits. Of these limits, an amount of TEUR 450 was withdrawn in the form of guarantees as of December 31, 2006 (12/31/2005: TEUR 223).

Other liabilities consist of:

€ thousands	31.12.2006	31.12.2005
Taxes	399	211
Social security	0	247
Wages and salaries	4	4
Other	431	66
	834	528

Liabilities are carried at fair value upon initial recognition and at amortized cost upon subsequent measurement using the effective interest rate method. The accounting of financing costs is made with an impact on result and to the proper period.

The line time, Other, comprises an obligation to repay development funds to the federal state of Berlin in the amount of TEUR 364, because the development conditions could not be met. The repayment amounts will be made in 18 equal installments; whereby the last installment is due in May 2008.

22. Provisions

The break down of provisions is as follows:

€ thousands	Jan. 1, 2006	Use	Release	Addition	Dec. 31, 2006
Taxes	61	−38	−23	0	0
Outstandig invoices	895	−722	−114	458	517
Personnel accruals	1,601	−1,329	−114	1,972	2,130
Warranties	855	0	−393	0	462
Travel costs	386	0	−386	0	0
Anticipated losses	101	−101	0	0	0
Other accrued liabilities	703	−406	−233	238	302
	4,602	−2,596	−1,263	2,668	3,411

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 an estimate of total costs incurred upon possible entry of the warranty.

Personnel accruals include annual bonuses and vacation not yet taken. Other provisions are recognized for present obligations (legal or constructive) arising from past events that will probably give rise to a future outflow of resources embodying economic benefits to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. The provisions are recognized at the expected settlement date taking into account all recognizable risks and are not offset against recourse claims. The best estimate of the settlement amount is assumed to be that amount most likely to occur.

As of December 31, 2006, all provisions have been classified as current, since their respective use is expected to occur within one financial year.

23. 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 annually in accordance with IAS 19 (Employee Benefits), provided the premises of the calculation used in the past changed in the current financial year. The pension obligations under the projected unit credit method were calculated using the following assumptions.

	2006	2005
Biometric probabilities	MT 2005 G Dr. Heubeck	MT 2005 G Dr. Heubeck
Interest rate	4,5 %	5,25 %
Inflation rate	1,75 %	1,80 %

Accordingly, the present value of the pension benefits of expected future payments required to settle the obligation resulting from employee service in the respective periods results in the present value of the defined benefit obligation (DBO) as of the balance sheet date.

The development of the pension costs for 2005 and 2006 is as follows:

€ thousands	2006	2005
Current service cost	10	10
Interest cost	40	37
Pension cost as at Dec. 31	50	47

The pension obligations developed as follows during the reporting and previous year:

€ thousands	2006	2005
Present value of the obligation (DBO) as at Jan 1	770	10
Current service cost	10	10
Interest cost	40	37
Actuarial gains/losses	79	9
Pension payments	–7	–7
Present value of the obligation (DBO) as at Dec. 31	892	770

The actuarial gains and losses are reported as incurred without an impact on income. In the reporting year an amount of TEUR 79 was recognized in this manner. A total of TEUR 88 was recognized directly to revenue reserves as of December 31, 2006.

The fair value of plan assets is carried at the cash surrender value. The reported values of the insurance policies are as follows:

€ thousands	2006	2005
Fair value of plan assets at Jan. 1	84	79
Actual return on plan assets	6	5
Fair value of plan assets at Jan. 1	90	84

Because of the development of the balance, the following experience adjustments were made as of December 31, 2006:

€ thousands	2006	2005
Present value of the obligation (DBO) as at Dec. 31	892	770
Experience adjustments to the pension obligation	–6	0

In 2006, plenum AG paid an amount of TEUR 72 (2005: TEUR 76) for a defined contribution plan via a provident fund.

24. Stockholders' equity

The number of shares in circulation did not change during the financial year 2006.

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

€ thousands	
Capital stock	9,577
Capital authorized for issue	4,789
Conditional capital	957
Conditional capital II	3,832

The fully paid-in capital stock of plenum AG is divided into 9,577,068 bearer shares.

According to the stockholders' meeting resolution dated July 3, 2006, capital authorized for issue was established in the amount of EURO 4,788,534, which replaced the previous authorized capital expiring on June 14, 2007. The Management Board of plenum AG is authorized, with the approval of the Supervisory Board, to increase capital stock up to 4,788,534 by one or more issuances of up to 4,788,534 bearer shares against cash and/or contribution in kind. The new shares shall be offered pre-emptively to the stockholders. The Management Board however is authorized, with the approval of the Supervisory Board, to exclude the stockholders' option rights in certain cases.

The conditional capital resolved by the stockholders' meeting in 2002 serves exclusively to settle exercised option rights (regarding the stock option plan refer to note 27 "Stock-based compensation").

According to a stockholders' meeting resolution dated July 3, 2006, the conditional capital II was established in the amount EURO 3,831,534 in the event that the issuance of 3,831,534 new bearer shares occurs. The conditional capital II serves to grant rights to the holders of the options, convertible participating shares, option bonds and convertible bonds.

The company is authorized until December 31, 2007 to acquire a share in capital stock of a maximum of 10 % of 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, 2006, plenum owned treasury stock of 16,790 own shares, which were acquired in 2001 at a total price of TEUR 83 and offset directly to stockholders' equity. In 2006, no treasury stock was acquired, applied or redeemed.

In 2005 option rights were issued to the employees of plenum AG and employees of affiliated companies as of the entitlement date of June 14, 2005 (see related explanations under note 27). The capital reserves increased by TEUR 26 for the amount of personnel costs reported for 2005 and by TEUR 47 in 2006.

The capital reserves as of the balance sheet date amount to TEUR 14,224 (12/31/2005: TEUR 14,177). This includes the amount that will exceed the absolute value upon issuance of shares and the amount additionally paid by stockholders to stockholders' equity.

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

25. Costs of purchased merchandise and services

The costs for purchased merchandise and services for the financial year 2006 amounted to TEUR 7,470 (2005: TEUR 9,437).

26. Personnel expenses

The break down of personnel expenses is as follows:

€ thousands	2006	2005
Wages and salaries	13,144	13,894
Social security costs	1,696	1,954
Expenses for pension benefits	151	103
	14,991	15,951

In 2006 the company employed and average of 190 (2005: 221) persons. The personnel expenses per employee totaled TEUR 79 (2005: TEUR 72).

27. 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 (maximum of 957,000 granted options) of the capital stock of plenum AG within the stock option plan 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, is not required to be shown according to IFRS 2 (Share-based Payment) for first-time adopters pursuant to IFRS 1 (First Adoption of International Accounting Standards). 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.

No new option rights were issued to employees of plenum AG and employees of affiliated companies during the reporting year. The option rights existing from prior years are subject to the accounting principles of IFRS 2 (Share-based Payment). The personnel expenses incurred for 2006 amounted to TEUR 47 (prior year: TEUR 26).

	Number of Options	Average excercise price (€)
Jan. 1, 2005	340,950	10,00
Granted	324,000	1,31
Exercised	0	0,00
Cancelled due to expiration or exit	–113,050	11,92
Dec. 31, 2005 / Jan. 1, 2006	551,900	4,50
Granted	0	0,00
Exercised	0	0,00
Cancelled due to expiration or exit	–316,900	6,87
Dec. 31, 2006	235,000	1,31

As of December 31, 2006, there were no exercisable options.

As of December 31, 2006, outstanding stock options had an exercise price of EUR 1.31. The average remaining term is 3.4 years (12/31/2005: 2.8 years).

28. 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 450 (12/31/2005: TEUR 223).

Commitments for rent and leasing agreements amount to:

€ thousands	Dec. 31, 2006
2007	524
2008	313
2009	217
2010	44
after 2011	44
	1,142

The expenses for rent and lease agreements amount to TEUR 1,414 in 2006 (2005: TEUR 1,751).

29. Pending litigation and other risks

Risks exist for pending litigation in the amount of TEUR .0 as of the end of 2006 (2005: TEUR 165).

30. Financial risk management

Due to the concentration of business activities within the euro zone, 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.

Credit risk

A significant concentration of possible credit risks do not exist within the Group. Transaction guidelines are available to assure that projects with major customers can only be initiated if the customer has demonstrated an appropriate payment history in the past. The Group has business policies limiting the credit risk to a specific amount with respect to individual financial institutions.

Liquidity risk

Cautious liquidity management includes maintaining adequate reserves in liquid funds and marketable securities. Based on the dynamics of the business environment, in which the Group operates, the Group management's objective is to maintain the necessary flexibility in financing, in which sufficient unused credit risks exist.

Cash flow and fair value interest risks

Since the Group does not have significant interest-bearing financial liabilities, the Group net result and cash flows from operating activities are largely independent from fluctuations in the market interest rate.

31. 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 (2005: TEUR 6) and non-cash increases to capital reserves of TEUR 47 (2005: TEUR 26).

32. Segment information

Corresponding to the segment reporting classified by business segments, a distinction is made between the segments: Consulting (consulting services for strategy development, efficiency improvements and new organization for IT management), Communications (complex services for integrated communications – online and offline), and Implementation (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 represents the Implementation segment. The Communications segment comprises: plenum Communication GmbH and DOM Digital Online Media GmbH.

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

€ thousands		Segments	Reconciliation	Group
Gross sales revenues	**CY**	**27,840**	**0**	**0**
	PY	*28,076*	*0*	*0*
Intercompany sales [1]	CY	1,301	0	0
	PY	*623*	*0*	*0*
Net sales revenues	**CY**	**26,539**	**0**	**26,539**
	PY	*27,453*	*0*	*27,453*
Depreciation and amortization	**CY**	–401	**–152**	**–553**
	PY	*–469*	*–209*	*–678*
Other segment costs	CY	–25,026	–1,841	–26,867
	PY	*–29,915*	*–243*	*–30,158*
Earnings before interest and taxes (EBIT)	**CY**	**1,112**	**–1,993**	**–881**
	PY	*–2,931*	*–452*	*–3,383*
Assets as at Dec. 31	**CY**	**6,813**	**4,482**	**11,295**
	PY	*6,061*	*6,290*	*12,351*
Liabilities as at Dec. 31	**CY**	**–5,383**	**–872**	**–6,255**
	PY	*–7,025*	*–142*	*–7,167*
Investments	**CY**	**232**	**3**	**235**
	PY	*345*	*13*	*358*

CY = Current year; PY = Prior year
[1] 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 pools across the Group are included in the reconciliation column under "assets" in the amount of TEUR 23 (12/31/2005: TEUR 5,731).

The Group's customer structure did not result in any major concentration in any given geographic region. Revenues of 12.4 % were generated from one major customer in the Implementation segment in 2006 (2005: 29.4 %).

33. Related party transactions

€ thousands	Liabilities arising from services used Dec. 31, 2006	Liabilities arising from services used Dec. 31, 2005	Expenses incurred for services used 2006	Expenses incurred for services used 2005
Informatik Consulting Bauer GmbH, Moos	6	16	134	112
S&F GmbH & Co. KG, Herrenberg	0	0	0	307
KomPuls GmbH, Eltville	29	0	307	173
Dr. Wolfgang Händel	0	5	6	14
	35	**21**	**447**	**606**

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 presents public and in-house seminars, solicits seminar projects and consults on seminar concepts and advertising.

plenum Communication GmbH maintained business relations with S&F GmbH & Co. KG until June 2005. The managing shareholders are 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 renders event management for plenum in the form of future and 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 issues, acquisition discussions and contacts with financial institutions.

Services rendered to related parties are normally based on actual costs plus an appropriate profit mark-up. Merchandise is based on the same prices that would be charged to third parties.

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 had an original 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 had an original 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 accrued interest are secured by a personal guarantee from the Chairman of the Supervisory Board, Michael Bauer (TEUR 1,100), and by another guarantee.

A write-down of the loans to Management Board members was not necessary in 2005 or in 2004.

34. Auditor fees

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

€ thousands	
Year end audit	90
Tax consulting services	57
Other services	16
	163

36. Corporate Governance

On December 20, 2006, the Management Board and the Supervisory Board submitted a Declaration of Conformity to the recommendations of the regulatory commission for the German Corporate Governance Code pursuant to Article 161 of the German Stock Corporation Act (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.

37. Executive bodies and management remuneration

Management Board Remuneration

Total remuneration (cash compensation, monetary benefits, insurance and insurance) granted by plenum AG to the members of the Management Board for the financial year 2006 amounted to TEUR 1,319 (2005: TEUR 1,201). In 2006, TEUR 128 (2005: TEUR 42) related to variable remuneration.

Services rendered by the Management Board in 2006 are broken down as follows:

€ thousands	
Fixed compensation	1.071
Variable portion	128
Benefits in kind	38
Pensions	
current service cost	10
contributions to the provident fund	72
Actual remuneration for the financial year	1.319

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.

35. Important events after the balance sheet date

Effective February 28, 2007, the company founded a subsidiary in Dubai. The subsidiary has capital stock amounting to TAED 500 (= TEUR 105). The business activities of the subsidiary are the distribution and rendering of communication services.

The shares held and stock option rights of the executive bodies of plenum AG are presented in the table below:

Shares held by the Management Board Number of shares	Hartmut Skubch	Klaus Gröne	Michael Rohde	Andreas Janssen	Total
Jan. 1, 2006	1,891,253	20,453	0	0	1,911,706
Dec. 31, 2006	**1,891,253**	**20,453**	**0**	**0**	**1,911,706**

Stock options of the Management Board Number of shares	Hartmut Skubch	Klaus Gröne	Michael Rohde	Andreas Janssen	Total
Jan. 1, 2006	50,000	20,000	10,000	3,900	83,900
Expired	**50,000**	20,000	10,000	**3,900**	83,900
Dec. 31, 2006	**0**	**0**	**0**	**0**	**0**

Im Hauptversammlungsbeschluss vom 3. Juli 2006 wurde beschlossen auf eine individualisierte Angabe der Vergütung des Vorstands zu verzichten.

38. Shares held by the Supervisory Board Number of shares	Michael Bauer*	Dr. Wolfgang Händel	Norbert Rohrig	Total
Jan. 1, 2006	370,360	1,000	**700**	372,060
Dec. 31, 2006	**370,360**	**1,000**	**700**	**372,060**

* shares held indirectly

The Supervisory Board received remuneration of TEUR 38 for the financial year (2005: TEUR 38).

39. Members of the Management Board

The executive bodies of plenum AG hold the following memberships in supervisory boards or similar German and foreign control bodies of business entities as of December 31, 2006:

Name	Ressort
Hartmut Skubch (Chairman)	Business Strategy, Company Controlling, Marketing and Sales
Klaus Gröne	Consulting, Delivery and Human Resources
Michael Rohde	Consulting and Business Management
Andreas Janssen	Finance, Administration and Investor Relations
Heinz Stoll (until May 31, 2006)	plenum Communication and Marketing

40. Members of the Supervisory Board

Name		Mandates*
Michael Bauer (Chairman)	plenum founder and IT-consultant, managing director of Informatik Consulting Bauer GmbH, Moos	Chairman of the supervisory board of Subito AG, Mörfelden-Walldorf, Chairman of the supervisory board of Advanced Information Systems AG, Würzburg
Dr. Wolfgang Händel	Independent business consultant	Supervisory board of Solutio AG, Munich, Chairman of the advisory council of ISATRAESKO GmbH, Neumünster Supervisory board of plecto AG, Aschau Chairman of the supervisory board of Hermanus AG, Bonn, Director of the Board der 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 comittees of business enterprises.

Wiesbaden, March 30, 2007

The Management Board

Hartmut Skubch Andreas Janssen Klaus Gröne Michael Rohde

List of Investments

Name and location of company	Share in capital
Affiliated companies	
plemum Management Consulting GmbH, Wiesbaden	100 %
plenum stoll & fischbach GmbH, Herrenberg	100 %
DOM Digital Online Media GmbH, Cologne	100 %

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, 2006 to December 31, 2006. 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 30, 2007

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Kompenhans Wirtschaftsprüfer	Ludwig Wirtschaftsprüfer

Corporate calendar 2006

April 24, 2007
Publication of
Annual Report 2006

May 23, 2007
Publication of report
for the first quarter 2007

July 5, 2007
Annual Shareholder Meeting 2007

August 29, 2007
Publication of report
for the first half 2007

November 28, 2007
Publication of report
for the first three quarters 2007

Published by / Contact

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

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Fax.: +49 800 8195570

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

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