

Pemco Inc.

Consolidated Statements of Cash Flows German Generally Accepted Accounting Principles Years Ended December 31, 2000 and 1999

	2000	1999
Cash Flows from Operating Activities:		
Net Income	\$3,021,757	\$8,968,764
Adjustments to Reconcile Net Income to Net Cash Provided		
by Operating Activities-		
Depreciation and Amortization	2,131,804	2,239,376
Loss on Sale of Assets	30,423	464
Change in Valuation Reserve for Deferred Tax Assets	-	(4,764,353)
Change in Assets and Liabilities-		
Accounts Receivable	29,044	2,007,892
Inventories	(491,268)	990,107
Deposits and Prepaid Expenses	(4,108,349)	(1,523,607)
Escrow Funds	-	50,000
Supplemental Executive Retirement Plan (SERP)	(6,815)	(10,992)
Accounts Payable	134,443	(598,654)
Accrued Liabilities	(2,461,712)	(2,477,256)
Warranty Claims Payable	(878,398)	(622,029)
Current Income Taxes	(393,074)	(591,298)
Deferred Income Taxes	1,647,504	1,513,991
Advance Payments from Customers	5,824,208	611,840
Net Cash Provided By Operations	4,479,567	5,794,245
Cash Flows Used for Investment Activities:		
Proceeds from Sale of Assets	45,976	7,605
Investments in Affiliates	-	10,000
Capital Expenditures	(2,152,664)	(1,478,792)
Net Cash Used for Investment Activities	(2,106,688)	(1,461,187)
Cash Flows Used for Financing Activities:		
Receipts (Payments) of Notes Payable	4,063,799	(22,639)
Dividends Paid to Paptis Holding GmbH	(10,526,316)	(1,684,211)
Net Cash Used for Financing Activities	(6,462,517)	(1,706,850)
(Decrease) Increase in Cash and Cash Equivalents	(4,089,638)	2,626,208
Cash and Cash Equivalents, Beginning of Year	4,955,419	2,329,211
Cash and Cash Equivalents, End of Year	\$865,781	\$4,955,419

The accompanying notes to consolidated financial statements are an integral part of these statements.



A28 COMPANIES HOUSE

02/05/01

Pemco Inc.

Consolidated Statements of Operations and Retained Earnings German Generally Accepted Accounting Principles Years Ended December 31, 2000 and 1999

	2000	1999
Revenues:		
Machines Secret Barton	\$30,117,180	\$33,139,521
Spare Parts	5,226,666	16,289,843
Field Service	17,953,405	4,367,036
Commissions	324,087	319,132
Total Revenues	53,621,338	54,115,532
Cost of Products Sold	42,516,887	40,538,414
Gross Margin	11,104,451	13,577,118
Selling, General and Administrative Expenses	8,190,665	8,093,169
Profit Sharing Contribution	1,154,953	1,639,197
Income from Operations	1,758,833	3,844,752
Other Income (Expense):		
Foreign Currency Exchange Gain	128,161	162,207
Interest (Expense) Income, Net	(173,422)	182,687
Reversals and Establishments of Warranty, Nonperformed Services	, , ,	•
and Probable Loss Accruals, Net	2,786,559	2,293,141
Other Income, Net	221,089	180,549
,	2,962,387	2,818,584
Income Before Income Taxes	4,721,220	6,663,336
Income Taxes:		
Current Year Provision	(1,699,463)	(2,458,925
Reversal of Valuation Reserve	(1,000,400)	4,764,353
	(1,699,463)	2,305,428
Net Income	2 224 757	0.000.704
Net income	3,021,757	8,968,764
Dividends to Körber PaperLink GmbH	(10,526,316)	(1,684,211
Retained Earnings, Beginning of Year	16,175,878	8,891,325
Retained Earnings, End of Year	\$8,671,319	\$16,175,878

The accompanying notes to consolidated financial statements are an integral part of these statements.

Pemco Inc.

Consolidated Balance Sheets
German Generally Accepted Accounting Principles
December 31, 2000 and 1999

Net Property, Plant and Equipment Total Assets	Land and Land Improvements Buildings Machinery and Equipment Vehicles Furniture and Fixtures Construction-in-Progress Less- Accumulated Depreciation	Total Other Assets Property. Plant and Equipment:	Other Assets: Intangibles, Net Investment in Affiliates Executive Retirement Plan Deferred Income Taxes, Long-Term	Current Assets: Cash and Cash Equivalents Accounts Receivable, Net- Trade Related Parties Other Income Tax Receivable Inventories Deposits with Related Parties Deposits Prepaid Expenses Deferred Income Taxes, Short-Term Total Current Assets	Assets
6,866,131 \$32,361,254	278,577 9,919,388 10,253,624 50,396 3,047,699 7,603 23,557,287 (16,691,156)	1,334,672	792,784 8,092 23,837 509,959	\$865,781 3,088,645 5,045,084 65,597 871,673 7,370,354 5,585,105 67,310 108,003 1,092,899 24,160,451	2000
7,191,881 \$32,990,772	278,577 9,954,122 9,733,937 69,958 3,909,479 13,727 23,959,800 (16,767,919)	708,179	522,573 8,092 17,022 160,492	\$4,955,419 4,239,521 3,889,168 99,681 285,898 6,879,086 1,601,330 19,322 31,417 3,089,870 25,090,712	1999
Total Stockholder's Equity Total Liabilities and Stockholder's Equity	Stockholder's Equity: Common Stock- Pemco Inc. – No Par Value; \$2,000 Stated Value, 2,800 Shares Authorized, 800 Shares Issued and Outstanding Paid-in Capital Retained Earnings	Total Current Liabilities Long Term Liabilities: Note Payable –Trade	Late Shipment Penalties Probable Loss Contracts Nonperformed Services Capital Lease Obligations Other	Current Liabilities: Accounts Payable- Trade Related Parties Note Payable- Trade Related Party Warranty Claims Payable Advance Payments from Customers Income Taxes Payable Accrued Liabilities- Retirement Plan Payroll Wages and Taxes Accrued Commissions	Liabilities and Stockholder's Equity
10,417,940 \$32,361,254	1,600,000 146,621 8,671,319	21,869,481 73,833	37,000 410,864 233,921 1,143,938	\$2,317,116 2,093,448 12,093,448 12,036 4,007,079 326,100 9,369,289 192,701 1,283,982 356,219 85,788	2000
17,922,499 \$32,990,772	1,600,000 146,621 16,175,878	15,051,160 17,113	660,720 1,304,468 347,514 1,577,250	\$1,566,355 2,709,766 12,036 1,204,498 3,545,081 - 1,756,056 257,379 110,037	1999

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.