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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	<u>4,479,567</u>	<u>5,794,245</u>
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	<u>(2,106,688)</u>	<u>(1,461,187)</u>
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	<u>(6,462,517)</u>	<u>(1,706,850)</u>
(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	<u>\$865,781</u>	<u>\$4,955,419</u>

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



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	\$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	<u>53,621,338</u>	<u>54,115,532</u>
Cost of Products Sold	<u>42,516,887</u>	<u>40,538,414</u>
Gross Margin	11,104,451	13,577,118
Selling, General and Administrative Expenses	8,190,665	8,093,169
Profit Sharing Contribution	<u>1,154,953</u>	<u>1,639,197</u>
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	<u>221,089</u>	<u>180,549</u>
	<u>2,962,387</u>	<u>2,818,584</u>
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	-	4,764,353
	<u>(1,699,463)</u>	<u>2,305,428</u>
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	<u>\$8,671,319</u>	<u>\$16,175,878</u>

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

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

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