

CHAIRMAN'S MESSAGE

The tide has turned!

After the recession that depressed the market for weaving machines in the past few years to the lowest level in the last two decades, the first signs of an approaching upturn made themselves felt towards the middle of last year.

The level of activity began to rise again, and the operating results for the second half of 1999 were positive once more. This trend accelerated in the first few months of 2000, so that the results should improve significantly.

However, this cannot hide the fact that 1999 was a catastrophic year. Despite being able to hold on to our market share, the level of activity was 23% down on the previous year. In operational terms this means a loss on ordinary operations of BEF 204 million at company level and BEF 311 million at consolidated level.

All the costs related to the restructuring which had become necessary were charged in their entirety to the year 1999. Together with the provision for repaying the Maribel subsidies received in the past, this brings the net total to BEF 355 million at company level and BEF 437 million at consolidated level.

But the crisis has left us stronger to face the future. Picanol has begun financial year 2000 completely free of debts. Supported by the strategic re-sourcing expressed in the motto "Why Weavers Win" we are able to guarantee solutions for boosting our customers' profit potential. This faster, more customer-oriented type of innovation has to be supported by a fully competent, constantly learning organisation. Knowledge management will become the foundation of the future.

Picanol has entered the year 2000 full of confidence, inspired by the quality of our products, our suppliers and our personnel.

Patrick Steverlynck
Chairman of the Board of Directors



BOARD OF DIRECTORS

HONORARY CHAIRMAN

Mr. Emmanuel Steverlynck

Term of office

CHAIRMAN, MANAGING DIRECTOR

PASMA N.V. (BE 466.125.382)
Meenseweg 150, 8900 Ieper
Represented by Patrick Steverlynck
Oudenaardestraat 86, 8570 Anzegem-Vichte
(nominated for reappointment until 2002)

2000

VICE-CHAIRMAN, MANAGING DIRECTOR

Mr. Michel Steverlynck
Meenseweg 564, 8902 Zillebeke-Ieper
(nominated for reappointment until 2002)

2000

DIRECTORS

Mr. Yves Steverlynck
Kleine Ieperstraat 10, 8980 Geluveld-Zandvoorde

2001

Mr. Alec Gevaert
Wijnsbergstraat 15, 8570 Anzegem-Vichte

2001

Mr. Herwig Bamelis
Zeedijk 472/0104, 8670 Koksijde ODK

2001

Advisam N.V. (BE 432.719.374)
Denneboslaan 17, 1180 Brussel18
Represented by G. Warlop
Denneboslaan 17, 1180 Brussel 18

2001

Seneca N.V. (BE 439.751.379)
Eikeldreef 11A, 9830 Sint-Martens-Latem
Represented by L. De Bruyckere
Eikeldreef 11A, 9830 Sint-Martens-Latem

2001

Corporate Advice N.V.
Magere Schorre 87, 8300 Knokke-Heist
Represented by Jan Coene
Philippartpad 6, 8301 Heist-aan-Zee

2001

Mr. Luc Van Nevel
Berchemweg 129, 9700 Oudenaarde

2001

AUDITOR

Mr. Jean Pierre Dejaeghere
PARTNER in B.V. o.v.v. C.V.
DELOITTE & TOUCHE BEDRIJFSREVISOREN
Sint-Crispijnstraat 43-45, 8870 Izegem

2001

REPORT OF THE BOARD OF DIRECTORS

ON THE CONSOLIDATED ANNUAL ACCOUNTS PRESENTED TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS ON 26 APRIL 2000 FOR THE FINANCIAL YEAR 1999.

The consolidated loss on ordinary business operations of the Picanol group, minority interests included, amounts to BEF 311 million. In 1998 the group still managed to make a profit on ordinary business operations of BEF 34 million. The extraordinary net result is a loss of BEF 416 million, mainly due to the BEF 362 million in restructuring costs for Picanol NV and Proferro NV, which were charged in their entirety to financial year 1999, together with the repayment of BEF 75 million in Maribel subsidies for exporting companies.

This brings the net loss to BEF 704 million. The group's share in this loss amounts to BEF 693 million, compared with a loss of BEF 12 million in 1998. The group's turnover fell by 15.5% to BEF 11,293 million (down from BEF 13,364 in 1998).

While Picanol NV had a bad first half year but made a positive operating result in the second half, the situation for Proferro NV was exactly opposite. The Guenne company in Germany and PST in China also suffered under the effects of the recession in the weaving machine market, and both closed the year with a loss.

Group investments in tangible and intangible fixed assets in 1999 amounted to BEF 342 million. Depreciation and amortisation came to BEF 426 million: BEF 403 million on tangible fixed assets and BEF 23 million on positive consolidation differences.

The main figures are summarised in the table below.

BEF million	1999	1998
Net turnover	11,293	13,364
Operating result	-370	11
Financial result	59	23
Current result	-311	34
Extraordinary result	-416	-30
Result before taxes	-727	4
Net result	-704	-39
Group's share	-693	-12

PICANOL

The world market for weaving machines contracted by 30% in 1999 compared with 1998, which was already 25% down on 1997. In other words, the volume more than halved in two years. In such a situation, restructuring was clearly necessary, as was consolidation among manufacturers due to overcapacity in the market.

It also goes without saying that prices were under pressure.

It is therefore pleasing to note that Picanol nevertheless managed to finish the second half year with a positive operating result, indicating that the measures taken are bearing fruit. These efforts will be continued in future, so that figures should be back in the black once more in 2000, despite the fact that no great expansion in the market is expected. As soon as there is the slightest upturn in the market, our restructured organisation must be able to achieve normal profit figures once more.

Further investment in development, not only of new products but also of new services (such as e-business opportunities) should guarantee a sound future.

The order book for the first few months of 2000 shows a clear improvement, thanks to further recovery in demand from the Far East, although Europe and North America are still performing only hesitantly.

PROFERRO

The low level of activity at Picanol naturally had repercussions for its foundry subsidiary Proferro NV. But where Picanol had a catastrophic first half year, and a slightly positive second half, the situation for Proferro was quite the reverse: the activities of Proferro's other customers brought a slightly positive result for first half year, whereas the decline in these activities led to a negative operating result in the second half.

The total turnover fell by 11% to BEF 1,014 million, compared with BEF 1,146 million in 1998. The ordinary business result (current result), however, remains at more or less the same level as in 1998: minus BEF 14 million,

compared with minus BEF 15 million in 1998. Once again the extraordinary result was negative to a large extent (-82 million) due to the full booking of the restructuring costs (BEF 67 million) and the repayment of Maribel subsidies (BEF 15 million).

BEF million	1999	1998
Net turnover	1,014	1,146
Operating result	-20	-30
Financial result	6	15
Current result	-14	-15
Extraordinary result	-82	4
Result before taxes	-96	-11
Net result	-98	-9
Investments	53	33

The prospects in the market for mechanical foundry work remain rather low, but thanks to intensive use of CAD/CAM to design castings for customers, together with the combination of casting with machining and assembly, Proferro has important advantages for new projects on behalf of present and future customers. The first results of this will be achieved in 2000.

PST

The Chinese production plant PST, located in Suzhou in the region of Shanghai, also suffered from the effects of the recession in the weaving machine market. The difficulties with the level of activity made themselves mainly felt in the first half year, just as with Picanol. In the second half year, the reviving Chinese market brought an increase in production, which however was not reflected in the results due to the heavy pressure on prices, while the continually high value of the RMB (which tends to follow the US dollar) meant that imported machines were cheap in comparison with locally produced models.

PST's turnover increased by 269% compared with the disastrous previous year, to RMB 52 million, up from RMB 19 million in 1998. The net loss was down by a fifth on the 1998 level, but still amounted to RMB 3.8 million, compared with RMB 18.4 million in 1998. If PST manages to stabilise the situation at the level of the last few months of 1999, it should be back into profit once more in 2000.

MELLOTTE

The turnover of Melotte NV in Zonhoven (specialising in custom work in the field of automation and related areas) rose by 3.5% in comparison with 1998, up from BEF 316 million to BEF 327 million. The net profit actually doubled, from BEF 1.9 million in 1998 to BEF 3.8 million..

Gereedchapsmakerij Melotte for its part made a turnover of BEF 47.9 million, 9.5% higher than in 1998 (BEF 43.8 million). The net profit rose by 44% to BEF 1.9 million, up from BEF 1.3 million in 1998.

Melotte has achieved a breakthrough in the aerospace market, both in Belgium and in the Netherlands.

A new management system that works via intranet has been introduced, while production has been divided up into cells. Design is now done exclusively using a 3D (three-dimensional) CAD system.

GUENNE

The Guenne company, located in Mönnesee in Germany, had a very bad year, experiencing the full blast of the world recession in textile machinery. Turnover fell by no less than 32% to DEM 13.1 million, down from DEM 19.3 million in 1998. This was clearly the consequence of lower investments in the specialised markets served by Guenne, namely towelling, tyre cord and flannel. Price levels were also well below expectation, resulting in a net loss of DEM 2.3 million, compared with a net profit of DEM 0.5 million in 1998.

In the case of Guenne also, restructuring was carried out in order to bring expenditure into balance with income, and this streamlining already brought better results in the second half of 1999.

In the meantime, the company management is making every effort to achieve positive results once more in 2000, in which it should be successful if the orders keep coming in at the same level as in the last few months.

OTHERS

The sales subsidiaries Picanol of America and Picanol Overseas achieved positive results in 1999, while Korea, Turkey and Japan ended

the year with a loss. On the other hand, the Far East in particular (with Korea and Overseas) can rely on well-filled order books, thanks to the revival of the textile economy in the region, and Turkey is also clearly recovering. The prospects for 2000 are therefore positive all round.

CONSOLIDATED FIGURES FOR 1995-1999
(in BEF million)

	1995	1996	1997	1998	1999
Net turnover	11,321	12,912	13,499	13,364	11,293
Operating result	271	524	344	11	-370
Financial result	-11	-47	30	23	62
Extraordinary result	-2	31	-4	-30	-416
Result before taxes	258	508	370	4	-727
Net result	180	338	212	-39	-704
Investments	369	509	432	392	342

KEY SHARE DATA

(In euro, except for number of shares and average daily trading volume)

	1995	1996	1997	1998	1999
Number of shares	147,500	147,500	147,500	147,500	147,500
Share price					
High	329.70	446.83	840.98	793.26	448.00
Low	260.29	322.26	408.40	386.71	327.00
Average daily trading volume	30	40	75	45	30
Return					
Net result of Picamol N.V.	27,76	47,30	35,20	15,17	-85,55
Net result of the group	30,32	56,82	35,72	-6,54	-118,25
Net dividend	4,96	7,44	7,44	7,44	0
Capital structure					
Group equity	225,86	272,81	305,48	286,76	174,96

CONSOLIDATED BALANCE SHEET

(IN THOUSANDS OF BELGIAN FRANCS)

ASSETS	31.12.99	31.12.98
FIXED ASSETS _____	1,272,644	1,434,671
I FORMATION EXPENSES	754	2,101
II INTANGIBLE ASSETS	79,127	48,482
III CONSOLIDATION DIFFERENCES	46,583	50,909
IV. TANGIBLE ASSETS	944,391	1,021,201
A. Land and buildings	252,291	235,281
B. Plant, machinery and equipment	594,923	668,828
C. Furniture and vehicles	81,879	82,278
D. Leasing and other similar rights	10,632	10,845
E. Other tangible assets	858	535
F. Assets under construction and advance payments	3,808	23,434
V. FINANCIAL ASSETS	201,789	311,978
A. Enterprises accounted for using the equity method	87,631	85,932
1. Participating interests	87,631	85,932
B. Other enterprises	114,158	226,046
1. Participating interests and shares	4,129	106,830
2. Amounts receivable	110,029	119,216
CURRENT ASSETS _____	4,390,304	4,198,258
VI. AMOUNTS RECEIVABLE AFTER ONE YEAR	3,280	66,784
A. Trade debtors	-	49,786
B. Other amounts receivable	3,280	16,998
VII. STOCKS AND CONTRACTS IN PROGRESS	1,463,572	1,508,041
A. Stocks	1,459,233	1,508,041
1. Raw materials and consumables	545,870	487,837
2. Work in progress	418,792	481,071
3. Finished goods	494,571	538,593
6. Advance payments	-	540
B. Contracts in progress	4,339	-
VIII. AMOUNTS RECEIVABLE WITHIN ONE YEAR	2,372,119	1,940,384
A. Trade debtors	2,166,290	1,669,287
B. Other amounts receivable	205,829	271,097
IX. INVESTMENTS	130,106	131,668
B. Other investments and deposits	130,106	131,668
X. CASH AT BANK AND IN HAND	397,118	536,241
XI. DEFERRED CHARGES AND ACCRUED INCOME	24,109	15,140
TOTAL ASSETS _____	5,662,948	5,632,929

(IN THOUSANDS OF BELGIAN FRANCS)

LIABILITIES	31.12.99	31.12.98
CAPITAL AND RESERVES _____	1,041,075	1,706,307
I CAPITAL	295,000	295,000
A. Issued capital	295,000	295,000
II SHARE PREMIUM ACCOUNT	53,750	53,750
IV. CONSOLIDATED RESERVES	612,723	1,306,066
VI. TRANSLATION DIFFERENCES	76,019	44,975
VII. INVESTMENT GRANTS	3,583	6,516
MINORITY INTERESTS _____	42,760	44,650
VIII. MINORITY INTERESTS	42,760	44,650
PROVISIONS, DEFERRED TAX AND LATENT TAXATION LIABILITIES _____	641,078	462,019
IX. A. Provisions for liabilities and charges	638,673	457,770
1. Pensions and similar obligations	492,680	230,958
4. Other liabilities and charges	145,993	226,812
B. Deferred tax and latent taxation liabilities	2,405	4,249
CREDITORS _____	3,938,035	3,419,953
X. AMOUNTS PAYABLE AFTER ONE YEAR	72,213	93,645
A. Financial debts	72,213	93,645
3. Leasing and other similar obligations	-	780
4. Credit institutions	72,213	92,865
XI. AMOUNTS PAYABLE WITHIN ONE YEAR	3,758,164	3,198,704
A. Current portion of amounts payable after one year	30,780	141,433
B. Financial debts	148,907	-
1. Credit institutions	148,907	-
C. Trade debts	2,543,775	2,085,934
1. Suppliers	2,081,792	1,750,002
2. Bills of exchange payable	461,983	335,932
D. Advances received on contracts in progress	571,738	512,836
E. Amounts payable regarding taxes, remuneration and social security	438,529	367,613
1. Taxes	33,444	27,711
2. Remuneration and social security	405,085	339,902
F. Other amounts payable	24,435	90,888
XII. ACCRUED CHARGES AND DEFERRED INCOME	107,658	127,604
TOTAL LIABILITIES _____	5,662,948	5,632,929

CONSOLIDATED INCOME STATEMENT

(IN THOUSANDS OF BELGIAN FRANCS)

	31.12.99	31.12.98
I OPERATING INCOME _____	11,202,172	13,421,802
A. Turnover	11,292,537	13,363,554
B. Increase, decrease in stocks of finished goods, work and contracts in progress	(156,871)	(36,256)
C. Fixed assets - own construction	-	18,665
D. Other operating income	66,506	75,839
II OPERATING CHARGES _____	(11,572,361)	(13,410,328)
A. Raw materials, consumables and goods for resale	6,269,128	7,525,109
1. Purchases	6,269,128	7,525,109
B. Services and other goods	2,145,961	2,329,891
C. Remuneration, social security costs and pensions	2,841,744	2,973,559
D. Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	402,986	438,896
E. Increase, decrease in amounts written off stocks, contracts in progress and trade debtors	39,239	78,119
F. Increase, decrease in provisions for liabilities and charges	(171,786)	29,857
G. Other operating charges	45,089	34,897
III OPERATING PROFIT (LOSS) _____	(370,189)	11,474
IV. FINANCIAL INCOME _____	155,898	130,088
A. Income from financial fixed assets	6,581	3,805
B. Income from current assets	96,303	104,398
C. Other financial income	53,014	21,885
V. FINANCIAL CHARGES _____	(96,846)	(107,477)
A. Interests and other debt charges	19,632	23,136
B. Amounts written on positive consolidation differences	23,405	19,590
D. Other financial charges	53,809	64,751
VI. PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION _____	(311,137)	34,085

(IN THOUSANDS OF BELGIAN FRANCS)

31.12.99 31.12.98

VII. EXTRAORDINARY INCOME _____	36,528	_____	12,040
C. Adjustments to amounts written off financial fixed assets	-		587
E Gain on disposal of fixed assets	988		9,277
F Other extraordinary income	35,540		2,176
VIII. EXTRAORDINARY CHARGES _____	(452,340)	_____	(42,250)
D. Provisions for extraordinary liabilities and charges	337,491		38,600
E Loss on disposal of fixed assets	2,088		3,245
F Other extraordinary charges	112,761		405
IX. PROFIT (LOSS) FOR THE FINANCIAL PERIOD BEFORE TAXATION _____	(726,949)	_____	3,875
X. A. TRANSFER FROM DEFERRED TAX AND LATENT TAXATION LIABILITIES _____	8,907	_____	7,350
XI. INCOME TAXES _____	12,794	_____	(63,760)
A. Income taxes	(7,117)		(63,760)
B Adjustment of income taxes and write-back of tax provisions	19,911		-
XII. PROFIT (LOSS) FOR THE FINANCIAL PERIOD _	(705,248)	_____	(52,535)
XIII. SHARE IN THE RESULT OF THE ENTERPRISES ACCOUNTED FOR USING THE EQUITY METHOD _____	1,699	_____	13,645
A. Profits	1,814		13,645
B Losses	(115)		-
XIV. CONSOLIDATED PROFIT (LOSS) _____	(703,549)	_____	(38,890)
A. Share of third parties	(10,206)		(26,605)
B Share of the group	693,343		(12,285)

