



916,874 Ordinary Shares

This offering (the “Offering”) consists of 916,874 ordinary non-par value bearer shares (*Stückaktien*, the “Offer Shares”, which expression shall include up to a further 137,530 Offer Shares in respect of which the Over-allotment Option referred to below may be exercised) of Jetter AG (“Jetter” or the “Company”, and together with its affiliates the “Jetter Group”), a stock corporation (*Aktiengesellschaft*) registered with the Commercial Register in Ludwigsburg, Germany. Of the 916,874 Offer Shares being offered, 101,874 Offer Shares are being sold by certain shareholders of the Company (the “Selling Shareholders”) and 815,000 Offer Shares are being offered by the Company. The Offering comprises (i) a public offering within the Federal Republic of Germany and (ii) an international offering consisting of private placements of Offer Shares outside the Federal Republic of Germany, the United States and Canada. The Company will not receive any part of the proceeds from the sale of Offer Shares by the Selling Shareholders.

Prior to the Offering, there has been no public market for the Offer Shares. All of the ordinary non-par value bearer shares of the Company (the “Shares”), including the Offer Shares, have been admitted to trading with official quotation on the Neuer Markt segment of the Frankfurt Stock Exchange, Germany.

**Investing in the ordinary shares offered hereby involves risk.
See “Risk Factors” beginning on page 12.**

Offer Price: €25 per Share

In addition, in connection with the Offering, certain Selling Shareholders have granted the Underwriters (as defined herein) an option (the “Over-allotment Option”), exercisable for 30 days from the date of commencement of public trading in the Shares, to acquire up to 137,530 additional Offer Shares to cover over-allotments, if any.

**BancBoston Robertson Stephens Landesbank Baden-Württemberg
International Limited**

The date of this Prospectus is 17 August 1999

This Prospectus is for use exclusively in connection with the offer and sale of the Offer Shares to institutional investors outside the Federal Republic of Germany, the United States and Canada. The information from page 5 through the end of this Prospectus has been translated from (although it is not a literal translation of) the corresponding information from page 5 through the end of the German-language Offering Prospectus/Business Report prepared for the public offering within Germany and the listing of the Shares on the Neuer Markt segment of the Frankfurt Stock Exchange on the basis of the requirements of the laws and regulations of Germany. The Company, having made all reasonable inquiries, accepts responsibility for, and confirms that this Prospectus contains, all information with regard to the Company and the Offer Shares that is material in the context of the Offering and sale of the Offer Shares, that the information contained in this Prospectus is true and correct in all material respects and is not misleading, that the opinions and intentions of the Company expressed herein are honestly held and that there are no other facts the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading. In making an investment decision, investors must rely on their own examination of the Company and the terms of the Offering including the merits and risks involved. See "Risk Factors".

No person is authorized to give any information or to make any representation in connection with the Offering or sale of the Offer Shares other than as contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, the Selling Shareholders or any of the Underwriters (as defined herein). No representation or warranty, express or implied, is made by the Underwriters or any of their affiliates or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Underwriters or any of their affiliates or advisers as to the past or the future. The delivery of this Prospectus does not imply that the information herein is correct at any time subsequent to its date.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. No action has been or will be taken in any jurisdiction other than Germany that would permit a public offering of the Offer Shares or possession or distribution of this document, or any other offering or publicity material relating to the Offer Shares, in any country or jurisdiction where action for that purpose is required.

The distribution of this Prospectus and the offering and sale of the Offer Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restriction. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Offer Shares in any jurisdiction in which such offer or solicitation is unlawful.

This document has not been approved as an investment advertisement pursuant to Section 57 of the U.K. Financial Services Act 1986 and may not be issued or passed on in the United Kingdom except to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996.

The underwriters are BancBoston Robertson Stephens International Limited and Landesbank Baden-Württemberg (the "Underwriters").

The Offer Shares will be offered severally by the Underwriters subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part and to certain other conditions. It is expected that payment for the Offer Shares will be due on or about 23 August 1999 with a book entry date of 23 August 1999. The first day of trading is expected to be 19 August 1999. The Offer Shares will be represented by one or more permanent global certificates with global dividend coupons to be deposited with Deutsche Börse Clearing AG, Frankfurt am Main, Germany and will be delivered, at the option of the investor, through the book-entry systems of Deutsche Börse Clearing AG, Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System ("Euroclear") or Cedelbank, Luxembourg ("Cedelbank"). Under the provisions of the Company's Articles of Association, shareholders are not entitled to share certificates representing their individual shareholdings.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OFFER SHARES AT LEVELS WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. SUCH TRANSACTIONS MAY BE EFFECTED ON THE FRANKFURT STOCK EXCHANGE OR OTHERWISE.

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TABLE OF CONTENTS

	<u>Page</u>
General Information	6
Prospectus Summary	7
The Offering	10
Risk Factors	12
Use of Proceeds	20
Dividend Policy	20
Capitalization	20
Selected Financial Information	21
Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Business	28
General Information Concerning the Company	42
Existing Shareholders	46
Management	47
Neuer Markt	52
Taxation in the Federal Republic of Germany	53
Auditors	55
Financial Statements	F-1
Recent Developments and Prospects	F-28
Glossary	G-1

GENERAL INFORMATION

Responsibility for the Contents of the Offering Prospectus/Business Report

Jetter AG, Ludwigsburg (the “Company” or “Jetter”, and together with its affiliates the “Jetter Group”), together with BancBoston Robertson Stephens International Limited and Landesbank Baden-Württemberg (the “Underwriters”), assume responsibility for the content of this Offering Prospectus/Business Report according to § 13 German Securities Sales Prospectus Act (*Verkaufsprospektgesetz*) and § 77 German Stock Exchange Act (*Börsengesetz*), each together with §§ 45 *et seq.* *Börsengesetz*, and declare hereby that to their best knowledge the information contained in this Offering Prospectus/Business Report (the “Prospectus”) is true and no material facts have been omitted.

Offering

As well as a public offering within the Federal Republic of Germany pursuant to this document, the Company is making an international offering outside Germany, the United States and Canada. The two offerings are together referred to as the “Offering”.

Inspection of Documents

The documents referred to herein concerning the Jetter Group may be inspected during normal business hours at the offices of the Company at Gräterstraße 2, 71642 Ludwigsburg, Germany and at the offices of Landesbank Baden-Württemberg, Kronenstraße 20, 70173 Stuttgart, Germany. Future annual reports and quarterly reports of the Company will also be available at those addresses.

Subject Matter of the Offering Prospectus/Business Report

The information contained in this document as “Offering Prospectus” relates to 1,054,404 ordinary non-par value bearer shares (the “Offer Shares”) of the Company as follows:

- 815,000 Shares, each representing €1.00 of the stated share capital (*Grundkapital*), from the capital increase resolved upon by the general shareholders’ meeting on 17 June 1999 which was registered in the commercial register on 16 August 1999; and
- 101,874 Shares, each representing €1.00 of the stated share capital, owned by certain shareholders of the Company (the “Selling Shareholders”) as well as up to 137,530 Shares, each representing €1.00 of the stated share capital, owned by certain Selling Shareholders with regard to the over-allotment option granted to the Underwriters (the “Over-allotment Option”),

each with full dividend rights for the fiscal year 1999/2000.

The information contained in this document as “Business Report” relates to 2,292,320 Shares representing the Company’s total stated share capital of €2,292,320 following the capital increases resolved upon in the general shareholders’ meeting dated 17 June 1999 which took effect on registration in the commercial register on 28 July 1998 and on 16 August 1999, respectively, together with up to 29,000 Shares representing up to €29,000 with regard to the conditional capital (*bedingtes Kapital*) which was resolved upon in the general shareholders’ meeting dated 17 June 1999 and was registered in the commercial register on 28 July 1999.

PROSPECTUS SUMMARY

The following summary is supplemented by information contained in other sections of this Prospectus and by the financial statements of the Company. Potential investors should consider in particular the section "Risk Factors" before deciding whether to invest in Offer Shares. A glossary of technical terms is contained at the end of this document.

Jetter AG

Jetter develops, markets and supports a suite of advanced programmable logic controllers ("PLCs"), called Process PLCs. PLCs consist of hardware with integrated software and are typically used in systems for the control of industrial automation processes and equipment. Jetter's products include base units, servo controllers, visualization units and remotes, which are typically combined to form all or part of these control systems. The machines controlled by Jetter's Process PLCs vary in size from individual robots, handling systems and packing machines up to whole automated assembly lines such as semiconductor production lines. Jetter sells in Germany and internationally through direct salespeople and sales engineers to customers including Original Equipment Manufacturers ("OEMs"), systems integrators/value added resellers ("VARs") and end users primarily in semiconductor manufacturing, plastic products manufacturing or other automated manufacturing industries. Some of Jetter's customers include ASA Limited, Bausch & Ströbel GmbH & Co., Haffner GmbH, Teca-Print AG, W. Weser GmbH and Willi Stürtz GmbH.

Jetter AG was formed by a merger of Jetter GmbH and KRAUT Mikroelektronik GmbH, which took effect upon registration of the merger in the commercial register of Jetter GmbH on 28 December 1998, and the subsequent conversion of Jetter GmbH into the form of a stock corporation (*Aktiengesellschaft*), effective as of 10 February 1999. Jetter GmbH was originally established as a limited liability company on 26 June 1989.

Jetter is one of the most technologically advanced mid-sized companies worldwide providing a fully integrated product and service for industrial automation. Jetter's Process PLCs consist of hardware and software components that are designed to function together as an integrated unit. All of Jetter's products use the same operating system and are programmed with the same operating language. Components within the Process PLC can communicate directly with each other without the need for interfaces, resulting in significant improvements in performance, installation and time-to-market. In addition, because the Process PLC language is designed to be intuitive, it is easier for engineers to use than traditional programming languages used by some competitors, thereby greatly simplifying the programming task and reducing the average cost and time of installing a control system, as well as of subsequent reprogramming. Finally, because time-to-market and flexibility are critically important for customers, service is a crucial component of the overall Jetter solution. Jetter's application engineers provide multiple services in connection with the sale and support of Jetter's products, including joint development, programming, installation and training.

In order to meet the changing demands of the market place, Jetter has rethought the fundamental PLC structure and is developing a new suite of products, the JetWeb suite, which is designed to bring the advantages of computer networking to industrial automation. The JetWeb suite is aimed at meeting end users' demands for lower installation and maintenance costs, quicker installation, flexible manufacturing capability and access from any point on the control system. Further development is necessary to bring the JetWeb products to the market, with customer trials starting with selected OEMs in the second half of 1999.

Jetter's objective is to be the technologically leading supplier of integrated, networked solutions for the industrial automation market. Key elements of Jetter's strategy are (i) developing the next generation of controller technology through the JetWeb suite; (ii) promoting market acceptance of open products; (iii) maintaining and developing the existing Process PLC suite; (iv) expanding its U.S. operations; (v) reviewing opportunities for strategic alliances; and (vi) promoting the Jetter brand internationally.

THE OFFERING

- Offer Shares:
- 815,000 Shares representing a total of €815,000 of the stated share capital (*Grundkapital*) and issued pursuant to the share capital increase in cash resolved at the general shareholders' meeting on 17 June 1999 which became effective upon registration in the commercial register on 16 August 1999 ("New Shares"); and
 - 101,874 Shares representing a total of €101,874 of the stated share capital offered by the Selling Shareholders as well as up to 137,530 Shares representing a total of up to €137,530 of the stated share capital owned by certain Selling Shareholders relating to the Over-allotment Option granted to the Underwriters.

Over-allotment Option: Certain Selling Shareholders have granted the Underwriters an option to place up to 137,530 Shares representing in the aggregate a stated share capital of €137,530 in order to cover any over-allotments. The Over-allotment Option may be exercised within 30 calendar days following commencement of public trading in the Shares.

Stabilization: **In connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Offer Shares at levels which might not otherwise prevail. Such stabilizing, if commenced, may be discontinued at any time. Such transactions may be effected on the Frankfurt Stock Exchange or otherwise.**

Use of Proceeds: The Company intends to use the net issue proceeds (after Underwriters' fees and commissions of approximately €1,449,170 and other costs of approximately €902,770 payable by the Company with respect to the Offering) of approximately €18,023,060 to intensify the marketing of the Company's products, especially in the United States and other countries outside Germany, to finance the Company's further growth, including potential acquisitions, to develop further the JetWeb technology, to repay certain loans from shareholders and for general corporate purposes. The Selling Shareholders will receive the net proceeds from the sale of 101,874 Shares, or 239,404 Shares if the Over-allotment Option is exercised in full.

In connection with the Offering, fees and commissions of approximately €178,280 (€418,960 if the Over-allotment Option is exercised in full) will be borne by the Selling Shareholders. All other fees, commissions and costs of approximately €2,351,940 will be borne by the Company.

Trading Symbol for the Neuer Markt:	JTT
German Securities Identification Number (WKN):	626 400
International Securities Identification Number (ISIN):	DE 000 626 4005

THE OFFERING

General

The Offer Shares are the subject matter of a public offering of 916,874 ordinary non-par value bearer Shares representing in the aggregate a stated share capital of €916,874 (or 1,054,404 Shares representing in the aggregate a stated share capital of €1,054,404, should the Over-allotment Option be exercised in full) in Germany as well as an international offering consisting of private placements of Shares, in the time period of 11 to 17 August 1999.

The Underwriters for this Offering are BancBoston Robertson Stephens International Limited and Landesbank Baden-Württemberg.

A total of up to 5% of the Offer Shares have been reserved for employees and business affiliates. These Shares are subject to the same offering conditions, including the Offer Price, as all other Offer Shares.

101,874 of the Offer Shares are sold by the Selling Shareholders. 815,000 of the Offer Shares originate from the capital increase resolved by the general shareholders' meeting on 17 June 1999. These New Shares issued in the course of such capital increase have been subscribed by BancBoston Robertson Stephens International Limited on behalf of the Underwriters on 13 August 1999, each at the issue price of €1.00, under the condition that such Shares are to be included in the Offering at the Offer Price of €25 per Share.

In order to cover over-allotments, certain Selling Shareholders have granted the Underwriters the Over-allotment Option to purchase up to 137,530 Shares at the Offer Price for a period of 30 days beginning with the public trading of the Shares.

Underwriting

In accordance with the terms and conditions of the underwriting agreement signed on 17 August 1999 (the "Underwriting Agreement") between the Company, the Selling Shareholders and the Underwriters, the Underwriters separately and not jointly agree, subject to the satisfaction of certain conditions, to purchase and offer the Offer Shares by way of (i) a public offering in Germany, and (ii) private placements to institutional investors outside Germany, the United States and Canada.

The fees and commissions to be paid to the Underwriters by the Company will be approximately €1,449,170. The Underwriting Agreement entitles the Underwriters to terminate it in certain limited circumstances prior to the closing of the Offering.

Certain Selling Shareholders have granted the Underwriters an option to acquire up to an additional 137,530 Offer Shares, at the Offer Price, exercisable at the discretion of the Underwriters within 30 days of commencement of public trading in the Shares, solely to cover over-allotments, if any.

The total number of Offer Shares to be acquired by each Underwriter is as follows.

BancBoston Robertson Stephens International Limited	458,437
Landesbank Baden-Württemberg	458,437

Company's Share Capital

Prior to the share capital increase for cash for a nominal amount of €815,000 immediately preceding the Offering, the Company's stated share capital amounted to €1,477,320. Following that share capital increase the stated share capital is €2,292,320. The shareholders also conditionally increased the capital by a further €29,000 so as to cover options on Shares granted to management board members and employees of the Jetter Group in the context of a stock option plan.

Bookbuilding Process, Determination of Offer Price

The offer price of each Share (the "Offer Price") is €25 per Share. This Offer Price as well as the maximum number of Shares offered has been determined on the basis of the order book established in the bookbuilding process. The Offer Price was determined by the Underwriters in conjunction with the

Company and the Selling Shareholders on 17 August 1999 and is expected to be published in the electronic media on 18 August 1999 and in the *Börsenzeitung* on 19 August 1999. The number of Shares allotted to any investor who places an order with an Underwriter will be available upon request beginning on 18 August 1999 from such Underwriter. Payment for the Shares is expected to be made on 23 August 1999.

Lock-Up Agreements and Pooling Agreement

The shareholders in the Company immediately prior to the Offering have agreed with Deutsche Börse AG neither to offer or sell, directly or indirectly, or announce an offer or sale of any Shares they may hold, nor take any other actions having the same economic effect as a sale for a period of six months after commencement of trading of the Shares on the Neuer Markt segment of the Frankfurt Stock Exchange. Deutsche Börse AG may grant exemptions from this undertaking to any or all shareholders upon request with just cause.

The members of the Jetter, Hauser and Kraut families have agreed amongst themselves on certain pre-emptive rights, that is rights of first refusal on a disposal of Shares, in a pooling agreement.

Listing

Admission of the aggregate share capital, amounting to €2,292,320 after the capital increase, was applied for to the Regulated Market (*Geregelter Markt*) for trading on the Neuer Markt segment of the Frankfurt Stock Exchange on 5 August 1999 and granted on 17 August 1999. Trading on the Neuer Markt is expected to commence on 19 August 1999.

Settlement and Delivery

It is expected that payment for, and delivery of, the Offer Shares will be made on or about 23 August 1999 with a book entry date of 23 August 1999. The Offer Shares will be represented by one or more permanent global certificates with global dividend coupons to be deposited with Deutsche Börse Clearing AG, and will be delivered, at the option of the investor, through the book-entry systems of Deutsche Börse Clearing AG, Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System ("Euroclear") or Cedelbank, Luxembourg ("Cedelbank"). Under the provisions of the Company's Articles of Association, shareholders are not entitled to share certificates representing their individual shareholdings.

RISK FACTORS

Potential investors should in particular consider thoroughly the following risk factors, together with the other information in this Prospectus, before deciding whether to acquire Shares pursuant to the Offering.

Fluctuations in Operating Results

In the past, Jetter's sales and operating results have recorded considerable fluctuations. Jetter expects that its operating results will continue to fluctuate due to a number of factors. These factors include the point at which new products, product upgrades and enhancements by Jetter or its competitors are introduced into the industrial automation market, the influence of competition on Jetter's average sales prices, changes in technology and the market acceptance of these changes, changes in Jetter's operating expenses, staffing changes and fluctuations in economic and market conditions. In addition, sales of Jetter's products depend on automation by industrial and other companies, so that results tend to fluctuate due to economic conditions in general and those of the industrial IT market in particular.

In addition, Jetter's operating costs are to a large extent fixed costs based on expectations of future revenues and cannot be adapted rapidly to short-term operating fluctuations if revenues fail to materialize. Consequently, a deficit in the net sales revenues of a period may have a disproportionately negative effect on Jetter's results. Jetter frequently incurs significant up-front development costs in anticipation of sales, in particular to original equipment manufacturers ("OEMs"), which may not materialize. Jetter has failed to meet its expectations of future revenues in the past, for example as a result of the economic crisis in Asia.

Since all or most of Jetter's revenue is typically paid in a lump sum at the end of a project, Jetter's revenue can fluctuate significantly, even when Jetter's activity levels are stable.

Due to these factors, Jetter's operating results may in future fall below the expectations of market analysts and investors. This could have a material adverse effect on the price of Jetter Shares.

Rapidly Changing Technology Leading to Dependence on New Products

The industrial automation control systems market in which Jetter competes is subject to rapid technological change (especially the rapid development of software and hardware), constantly changing customer requirements, the frequent introduction of new products, the continuing development of industry standards and relatively short product lifecycles. The introduction of products based on new technologies by Jetter or its competitors and the setting of new industry standards are likely to render existing products obsolete. The future development of Jetter therefore depends on the continued and timely development and market introduction of new and improved products.

The inherent uncertainty involved in predicting technological developments and the need to identify and eliminate errors prior to the introduction of new products make it impossible to predict the timing or success of planned new products. As a result, Jetter's new products may not achieve sufficient market acceptance or may not be able to maintain that acceptance over a significant period of time. A delay or failure by Jetter in developing new products or in achieving or maintaining sufficient acceptance by the industrial automation market could have a material adverse effect on Jetter's results.

In particular, Jetter is currently dependent on a single product range, the Process PLC, to provide nearly all of its turnover and profit. This product range is likely to be technologically superseded within the next few years. Jetter's growth over the medium term will therefore be determined by its success in further developing, testing and marketing its proposed new JetWeb suite of products. As the JetWeb is further developed and becomes available to customers, it may have the potential to replace or shorten the life cycle of the Process PLC and may cause customers to defer purchasing Process PLCs to purchase JetWeb products at a later date. The effect of this could be a decrease in revenues from the Process PLC suite without a corresponding increase in revenues from the JetWeb suite, which could have a material adverse effect on Jetter's results. In the long term Jetter's success will depend on regular innovation, development, testing and marketing of new products.

Uncertainty as to Future Market Standards

The industrial automation control systems market is currently characterized by closed or proprietary products, i.e. designed according to different, mutually incompatible technical standards or protocols. Jetter believes that the control systems market is poised to enter a period of fundamental

change, with a move to open products, i.e. products designed according to a generally accepted common protocol. Jetter believes that, as has been the case generally in business computing over approximately the last ten years, if a critical mass within the control systems market moves to a single protocol, it is likely that the vast majority of the rest of the market will also move to this protocol. Jetter's new JetWeb suite of products are all designed to be open within the TCP/IP protocol, which is the protocol used throughout the Internet. However, the control systems market may not adopt a common protocol, or may adopt a different protocol, which could have a material adverse effect on Jetter's results.

Many of Jetter's current and prospective competitors are dedicated to promoting closed or proprietary products and protocols that differ from, or are incompatible with, those of Jetter. In some cases, companies have established associations to enhance the competitiveness and popularity of their products, or to promote their own different or incompatible protocols. The existence of these associations may prevent or delay the control systems market moving to a common protocol, or may make it move to a common protocol different from the TCP/IP protocol on which Jetter's proposed new JetWeb suite of products is based. This could have a material adverse effect on Jetter's results.

Even if the control systems market were to adopt the protocol used by Jetter's products, by definition this would mean that Jetter's products could be replaced by those of other manufacturers. In addition, the general move to common protocols in business computing over approximately the last ten years suggests that many items of hardware would become interchangeable commodity items, the prices of which would therefore be driven down, significantly and rapidly reducing producers' profit margins. If this were to happen, a failure by Jetter to increase its sales sufficiently rapidly to compensate for the falling profit margins would have a material adverse effect on Jetter's results.

Highly Competitive Market

Competition in the industrial automation control systems market is intense. As a mid-sized company, Jetter competes with a wide range of manufacturers and other businesses, including both large, established firms and small, new firms.

Jetter's competitors include some of the largest companies in the electronics industry, including Siemens Automation & Drives, Rockwell Automation, Schneider Automation and Mitsubishi Electric Automation. These companies alone had an estimated 66% of the worldwide programmable logic controller hardware market in 1997. Many of Jetter's competitors have longer operating histories, strategic alliances, far greater resources including finances, personnel and marketing resources, significantly greater brand recognition and a broader product range. This may better enable these competitors to apply greater resources in reaction to changing demands in the control systems market.

The extra resources of the major competitors also give them greater influence over the direction of the control systems market, and conversely to delay or prevent changes, e.g. a move to common protocols for controller products. Many of the major competitors may want to resist such a move as they have a large number of proprietary products already installed with end users.

Jetter's competitors also include a number of newer, smaller firms. Often these competitors have a PC-oriented software background and intend to apply this technology to the industrial automation market. Some of the most successful of the new firms include U.S. companies such as Object-Automation, Zone Automation, Steeplechase and Think & Do. As a result of their relatively small size, strong owner-management, innovation and lack of an installed customer base which needs to be serviced, this category of firm may be able to react more quickly and cost-effectively to changes in the control systems market.

Uncertain Growth in the Controller Market

Jetter depends on its customers, or its end users in its main target industries such as the semiconductor, mechanical engineering and automotive industries, continuing to invest in industrial automation IT. Any downturn in spending on industrial automation IT generally, or in Jetter's target industries, could have a material adverse effect on Jetter's results.

The market for programmable logic controllers has been growing at less than 3% per year over recent years, far below the growth in IT markets generally. Jetter believes that this is because the demand for proprietary controllers is in the process of being replaced by a demand for open controllers, and Jetter expects the market for open controllers to show higher rates of growth in the future. However, if this expectation proves not to be the case, the market for Jetter's proposed new

JetWeb suite of products would be smaller than anticipated which could have a material adverse effect on Jetter's results.

Dependence on Persons in Key Positions

The success of Jetter depends to a considerable degree on the continuous participation of: its Chief Executive Officer and President, Martin Jetter, who is also responsible for marketing and sales, as well as being a major shareholder; its Chief Financial Officer, Andreas Gatter; and its Chief Technical Officer, Andreas Kraut, who is the management board member responsible for development and training as well as being a significant shareholder; as well as other leading employees in key positions in areas of marketing, technology and finance. The loss of one or several of these persons could have a material adverse effect on Jetter's results. While Messrs Jetter, Gatter and Kraut have employment contracts expiring on 30 June 2003 which contain non-competition restrictions for so long as they are employed, these agreements may not in practice be enforceable against these individuals if they were to wish to leave Jetter for any reason. Other key employees do not have long-term employment agreements or, in most cases, non-competition restrictions. Jetter does not maintain key man insurance policies.

Ability to Attract New Personnel

Jetter is of the opinion that its future success will depend in large part on its ability to attract, integrate and retain highly qualified management, technology and distribution personnel. This will be especially important in Jetter's proposed international expansion, in particular in the United States. Jetter believes that it will be exposed to increasing competition for these personnel. A failure by Jetter to obtain or retain highly qualified personnel in key positions could have a material adverse effect on Jetter's results.

Dependence on Original Equipment Manufacturers

OEMs are a critical customer group for Jetter. Approximately 66% of Jetter's revenues in the nine month fiscal period ended 31 March 1999 were from OEMs. The rate at which Jetter's products are used in industrial automation control systems is subject primarily to product and marketing decisions made by OEMs. OEMs that manufacture and promote products and technologies that compete or may compete with Jetter may be particularly reluctant to employ Jetter's products and technologies to any significant extent, if at all. Jetter may not be able to improve the current rate of acceptance or usage of its products by OEMs and others and that usage may decrease over time. The failure to increase acceptance or usage of Jetter's products, or any decrease in usage of its products, could have a material adverse effect on Jetter's results.

Reliance on Significant Customers

Currently, a significant portion of the Company's revenues are derived from sales to a relatively small number of customers. In the nine month fiscal period ended 31 March 1999, Jetter's top five customers in alphabetical order (with their industry) were ASA Limited (semiconductor production equipment), Bausch & Ströbel GmbH & Co. (packaging machines), Haffner GmbH (plastic window production equipment), W. Weser GmbH (agent to a company which makes coil winding machines) and Willi Stürtz GmbH (plastic window production equipment). These customers accounted for approximately 36% of Jetter's revenues in that fiscal period. The largest customer accounted for approximately 15% of revenues in that fiscal period. Although many of Jetter's projects are long term, and often include repeat business because customers typically face high cost and time hurdles in changing suppliers, Jetter does not maintain retainers with its customers. Consequently, the loss or reduction of business for any reason with its current major customers, or any other major customer in the future, could have a material adverse effect on Jetter's results.

Majority Control by Management

The principal shareholders of Jetter, and the approximate expected shareholdings after completion of the listing on the Neuer Markt segment of the Frankfurt Stock Exchange, assuming the Over-allotment Option is not exercised and taking into account shares held by connected persons, are as follows: Martin Jetter (28.4%), Kurt Hauser (20.5%) and Andreas Kraut (7.7%). Thus, these shareholders together with their connected persons would be able to exercise control in most situations that require a general shareholders' meeting resolution, including the election of members of the

supervisory board. The Jetter, Hauser and Kraut family shareholders have also entered into a pooling agreement providing amongst other things that votes will be exercised in a block. See the section “Existing Shareholders”.

Management of Future Growth

The Jetter Group has recorded considerable growth in the last seven years, with revenues growing from approximately DM 6.3 million in the fiscal year ended 30 June 1992 to approximately DM 28.5 million in the fiscal year ended 30 June 1998 (IAS). Over the same time period the average number of employees of the Jetter Group increased from 25 during fiscal year 1992 to 91 during fiscal year 1998 and has since further increased to an average of 109 during the nine month fiscal period ended 31 March 1999. The growth of Jetter has led to an increase in the responsibilities of management. Jetter intends to expand further in Germany and internationally by organic growth, strategic alliances and potentially by acquisitions; its ability to do so, however, will depend on identifying the right employees, strategic partners and businesses for merger or acquisition as well as obtaining the necessary financing at the time.

The future business results of Jetter will depend on the ability of its management and other personnel to build on and improve its operational support and financial control systems and to educate, manage and increase its employee base. Failure by management to meet these challenges could have a material adverse effect on Jetter’s results.

Ability to Develop U.S. Operations

The U.S. market is the largest market for programmable logic controllers, accounting for approximately 21% of global sales in 1998. Jetter expects the United States to continue to be a large segment of the global market and the Company therefore believes it needs to succeed in the United States in order to have a significant share of the worldwide controller market. In addition, Jetter believes that, if the controller market moves from a series of closed, proprietary protocols to a common protocol, this change is most likely to start in the United States. Therefore Jetter’s strategic objectives include having a presence in the United States in order to detect the changes in the market and wherever possible to influence them.

Breaking into the U.S. market is therefore an important part of Jetter’s strategy, especially in connection with the introduction of its proposed new JetWeb technology. However, the U.S. market is particularly competitive. Currently Jetter has only a very small presence in the United States through an independent representative. Failure by Jetter to establish a significant presence in the U.S. market, or to do so sufficiently rapidly, could have a material adverse effect on Jetter’s results.

Risk in Asian Markets

Historically Asian countries, and in particular Japan, have been among those at the forefront of industrial automation, and therefore have accounted for a significant portion of the control systems market. The considerable economic difficulties experienced by this region over the past few years have led to reduced and cancelled orders for new control systems. Along with many suppliers of controllers, Jetter’s results were adversely affected by the recession in Asia. Jetter’s major customers still include at least one Asian company, ASA Limited. While the governments of Japan and other Asian countries have recently attempted to stimulate the local economies, the overall economic outlook in Asia is still uncertain. A delay in economic recovery, or a further downturn, could have a material adverse effect on Jetter’s results.

Risk Associated with Acquisitions

As part of its strategy of growth, Jetter intends to pursue strategic alliances. These alliances may in time develop into mergers or acquisitions. However, Jetter may not be able to identify or complete suitable strategic alliance, merger or acquisition opportunities. Future mergers or acquisitions by Jetter may result in potentially dilutive issues of equity securities, the incurrence of debt, write-off of purchased in-process research and development and amortization of goodwill and other intangible assets, which could have a material adverse effect on Jetter’s results. In addition, completed mergers

and acquisitions present a number of significant risks and uncertainties, including the following, some of which also apply to strategic alliances:

- the risk that Jetter will not be able to retain the employees or business relationships of the new business or otherwise effectively integrate the operations of the new business with those of Jetter;
- the risk that Jetter will fail to realize any synergies or other cost reduction objectives;
- the risk that pursuing strategic alliance, merger and acquisition opportunities and integrating new products, technologies or businesses may distract management from performing their regular responsibilities;
- difficulties in the assimilation of the operations, products and personnel of the new business;
- the risks of entering markets in which Jetter has no direct prior experience; and
- with respect to new operations located at any significant distance from Jetter's primary facilities, the risks and additional costs associated with managing geographically disparate operations.

Risk of Programming Errors, Product Liability and Service Mistakes

As with all suppliers of hardware and software, products sold by Jetter may contain undetected errors or functional problems. At times, these defects are not discovered prior to the introduction of new products or the improvement of existing products. Programming errors detected after product delivery may lead to sales revenue losses, unpredicted costs or delays in market acceptance. Each of these eventualities could have a material adverse effect on Jetter's results. In addition, mistakes by Jetter in implementation, training, after-care or other services could lead to lawsuits for resulting damages.

Furthermore, the marketing and selling of controller products for certain applications is associated with potential product liability risks. The potential loss to a customer could greatly exceed the cost of the product. It is an inherent risk that product liability claims may be lodged against Jetter. Jetter's present product liability insurance coverage is limited with regard to scope of policy and amount of coverage, but at present Jetter considers it appropriate to the risk. In the future Jetter may not be able to maintain such insurance coverage at a reasonable cost and under reasonable conditions or obtain an insurance policy which insures Jetter against all conceivable claims and damages.

Year 2000 Compliance

Many computer systems, software products and components have been programmed in such a way that they will only accept two-digit entries in the date field. For information relating to dates beginning in 2000 and after, those fields will have to accept four-digit entries to distinguish 21st century dates from those of the 20th century. Therefore, the computer systems, software and components used by many companies will have to be upgraded to satisfy these requirements. Failure to do so could cause that item to malfunction. This could lead to consequential loss or liability to others for the user.

Jetter believes that the most recently released versions of its products and systems, as well as future releases, are or will be Year 2000 compliant. Users of previous versions can avoid any risks in these versions by upgrading them in timely fashion and where Jetter is aware of action which customers need to take it has informed them accordingly of the necessary steps. It should be noted that Jetter's products can only be Year 2000 compliant if in particular the third party components which it incorporates are also Year 2000 compliant. Jetter has received confirmation from all its major component suppliers that their products are Year 2000 compliant. If any of these confirmations turns out to be incorrect, or for any other reason Jetter's products are not Year 2000 compliant, Jetter may be faced with unforeseen expenses, including product liability and consequential loss claims from customers and end users, which could have a material adverse effect on Jetter's results.

Even if Jetter's products are all Year 2000 compliant, if they are installed by third parties such as OEMs or systems integrators/VARs in such a way that the overall control system suffers Year 2000 failure, Jetter may be joined as a defendant in subsequent litigation. Whether or not Jetter's products are ultimately shown to be Year 2000 compliant, litigation takes up management time and in many legal systems some or all of the costs of even a successful defendant are not recoverable.

Furthermore, Year 2000 compliance problems of Jetter's customers or end users could cause them considerable costs and disruption, leading to a drop in the means available for the purchase of the kinds of products offered by Jetter. This could have a material adverse effect on Jetter's results.

It is also possible that Jetter's own internal systems may prove not to be Year 2000 compliant. Jetter has received confirmation from the suppliers of all Jetter's business critical systems that they are Year 2000 compliant. The only non Year 2000 compliant equipment used by Jetter is, to the best of Jetter's knowledge, minor equipment such as fax machines which Jetter intends to replace before the end of 1999. However, if any significant piece of equipment did prove not to be Year 2000 compliant, the resulting business disruption and costs of rectification could have a material adverse effect on Jetter's results.

Lengthy Sales Cycles

The sales cycle between initial customer contact and execution of a contract with a customer can vary widely, between a few weeks and approximately three years, with the most common cycle being of 12 to 18 months. OEMs typically conduct extensive and lengthy product evaluations before making initial purchases of Jetter's products. Subsequent purchases of Jetter's products may be delayed by prolonged product development and introduction periods for OEMs. Attendant delays in Jetter's sales cycle can result from, among other things, changes in customers' budgets or in the priority assigned to control system development and to educating customers as to the potential applications of and cost savings associated with Jetter's products. Jetter generally has little or no control over these factors, which may cause a potential customer to favor a competitor's products, or to delay or forego purchases altogether. As a result, Jetter's ability to forecast the timing and amount of specific sales is limited, and the delay or failure to complete transactions could have a material adverse effect on Jetter's results.

In addition, end users of control systems tend to have lengthy cycles for product replacement, of two to five years or longer. Therefore even if Jetter's technology were to become a clear market favorite, it would take a number of years before most potential customers would consider changing their existing control systems.

Dependence on Important Suppliers and Producers

Jetter typically uses standard software and hardware parts and components, which it purchases from suppliers under long-term supply agreements. If these supplies ceased for any reason, Jetter believes it would be able to source these supplies from third parties with relatively little delay or cost. In respect of a limited number of non-standard components such as certain integrated circuit boards, however, Jetter uses a small number of suppliers who create the components to Jetter's specification. The inability or unwillingness on the part of such suppliers to deliver these components could have a severe impact on Jetter's ability to supply certain products or carry out services for its customers. In this event, failure by Jetter to swiftly locate an alternative, competitively priced source for the required hardware and software components could have a negative influence on customer relations and have a material adverse effect on Jetter's results.

Limited Protection of Intellectual Property Rights

Jetter depends significantly upon its intellectual property rights to protect its technological developments. The most important of these relates to technological innovations which enable the proposed new JetWeb suite of products to operate as a network, for which Jetter has applied for a patent. Jetter relies on a combination of patent, copyright, trade mark and trade secret laws, non-disclosure agreements and other contractual provisions to establish, maintain and protect its intellectual property rights, all of which afford only limited protection. Jetter has one pending German patent application. There can be no assurance that patents will issue from this pending application or from any future applications or that, if issued, any claims allowed will be sufficiently broad to protect Jetter's technology. Failure of any patents to protect Jetter's technology may make it easier for Jetter's competitors to offer equivalent or superior technology. Jetter has registered or applied for registration for certain trade marks, and will continue to evaluate the registration of additional trademarks as appropriate. Any failure by Jetter to properly register or maintain its trade marks or to otherwise take all necessary steps to protect its trade marks may diminish the value associated with Jetter's trade marks. In addition, any failure by Jetter to take all necessary steps to protect its trade secrets or other intellectual property rights may have a material adverse effect on Jetter's ability to compete in its markets. Despite Jetter's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of Jetter's products or services or to obtain and use information that Jetter regards as proprietary. It is possible that any patents, trade marks, copyrights or intellectual property rights that have been or may be issued or granted will be challenged, invalidated or circumvented, and any rights

granted thereunder may not provide protection for Jetter's proprietary rights. In addition, Jetter may not have taken or may not take all necessary steps to protect its intellectual property rights. Third parties may also independently develop similar technology without breach of Jetter's trade secrets or other proprietary rights. Jetter has licensed in the past and may license in the future its key technologies to third parties. In addition, the laws of some foreign countries, including several in which Jetter operates or sells its products, do not protect proprietary rights to as great an extent as do the laws of Germany.

From time to time, litigation may be necessary to defend and enforce Jetter's proprietary rights. Such litigation could result in substantial costs and diversion of management resources and could have a material adverse effect on Jetter's results, regardless of the final outcome. Despite Jetter's efforts to safeguard and maintain its proprietary rights both in Germany and abroad, there can be no assurance that Jetter will be successful in doing so or that the steps taken by Jetter in this regard will be adequate to deter infringement, misuse, misappropriation or independent third-party development of Jetter's technology or intellectual property rights or to prevent an unauthorized third party from copying or otherwise obtaining and using Jetter's products or technology. Any of such events could have a material adverse effect on Jetter's results.

Jetter is dependent on a license from Factory Soft, Mansfield, Massachusetts, United States to use the source code used in the flow programming of the proposed JetWeb product. The terms of the license require Jetter to pay an annual fee, but the license is indefinite and cannot be terminated without Jetter's consent.

Extensive Discretionary Powers of Management as to the Use of Proceeds

Jetter is presently planning to use the net proceeds from the issue of the New Shares to intensify the marketing of Jetter's products, especially in the United States and other countries outside Germany, to finance Jetter's further growth including potential acquisitions, to develop further the JetWeb technology, to repay certain loans from shareholders and for general corporate purposes. Beyond that, the net proceeds have not yet been allocated to a specific purpose. Therefore management has been given extensive discretionary powers as to the use of these funds.

Absence of Dividends

Jetter has not paid cash dividends and does not anticipate paying cash dividends on its Shares in the foreseeable future. Jetter intends to retain future earnings, if any, for use in its business.

Shares Eligible for Future Sale

Upon completion of the Offering, Jetter will have 2,292,320 outstanding Shares. The shareholders immediately prior to the Offering have agreed with Deutsche Börse AG neither to offer or sell, directly or indirectly, or announce an offer or sale of any Shares they may hold, nor take any other actions having the same economic effect as a sale for a period of six months after commencement of trading of the Shares on the Neuer Markt segment of the Frankfurt Stock Exchange. Deutsche Börse AG may grant exemptions from this undertaking to any or all shareholders upon request with just cause. As a result, beginning six months after commencement of trading of the Shares on the Neuer Markt, 1,375,446 additional Shares (assuming the Over-allotment Option is not exercised) will be eligible for sale by those who were shareholders in the Company immediately prior to the Offering. No prediction can be made of the effect, if any, that sales of Shares or the availability of Shares for sale will have on the market price of the Shares prevailing from time to time after the Offering. Nevertheless, sales of substantial amounts of Shares in the public market, or the perception that such sales could occur, could adversely affect the market price of the Shares.

Currency and Transfer Risks

Jetter's products are sold in a total of 27 countries. Although Germany is currently its most significant market, Jetter plans to increase the size and scope of its international operations. Currency fluctuations within the Jetter Group currently have limited direct effect on Jetter as, in the nine month fiscal period ended 31 March 1999, less than 28% of the Jetter Group's revenues (IAS) were denominated in currencies other than Deutsche Mark. However, currency fluctuations are likely to become more significant as Jetter continues its expansion into countries outside Germany and outside other EU member states which have adopted the Euro.

Subsidiaries abroad must have their balance sheets drawn up in the respective foreign currencies. To incorporate them into Jetter's consolidated financial statements, these balance sheet numbers are converted into Deutsche Mark at the respective exchange rates. Currency fluctuations could therefore have a material adverse effect on Jetter's results. From time to time in the past, Jetter has entered into rate-hedging transactions to protect it against currency fluctuations, although as at 31 March 1999 it had no such transactions outstanding. If it were to do so again in the future, the cost of rate-hedging transactions would constitute an additional strain on operating results.

Currency exchange rates can also have a material adverse indirect effect on Jetter's results, in that an appreciation in value of the Deutsche Mark against the local currency would make Jetter's products less competitive in local terms.

In addition, Jetter's future foreign activities may be subject to the risk of restrictions imposed on financial transfers.

Other Risks of International Business

As well as currency risks, Jetter will be increasingly subject to all the other usual risks of an international business, e.g. a deterioration of general economic conditions in the individual customer countries, costs of localizing products for foreign countries, non-acceptance of non-local products by foreign purchasers, complexity of managing international operations, overlapping of differing tax systems, unexpected changes in legal provisions, differing payment collection periods, trade restrictions, denial of import and export permits and changes in duties and tariffs. Any of these factors may have a material adverse effect on Jetter's results.

Immediate and Substantial Dilution

The Offer Price per Share is substantially higher than the net tangible book value per Share of the currently outstanding Shares. Investors purchasing Shares in the Offering will therefore suffer immediate and substantial dilution in the pro forma net tangible book value of their Share from the Offer Price. In addition, Shares issued in the proposed stock option plan as described in this Prospectus would be likely to result in a dilution of the value of the Shares. Moreover, Jetter may at any time in the future sell additional securities and/or rights to purchase such securities, or grant additional warrants, share options or other forms of equity-based incentive compensation to Jetter's management and/or employees to attract and retain such personnel, which would also have a dilutive effect.

High Volatility on the Neuer Markt

Jetter's Shares have been admitted to trading on the Neuer Markt segment of the Frankfurt Stock Exchange, a trading segment established in March 1997 for innovative, high-growth companies. In general, the companies listed on the Neuer Markt are relatively small and specialized and therefore characterized by a relatively high risk profile. For this reason, the share prices and trading turnover of such companies have often been subject to strong fluctuations in the past which did not correspond to the degree of business success of these companies. In addition, the share prices of various companies on the Neuer Markt have been highly volatile. For this reason, it is possible that strong fluctuations in the price of high-technology shares or shares on the Neuer Markt might materially influence the price of Jetter's Shares.

Lack of a Public Market and Volatility of the Share Price

Prior to the Offering, there has been no public market for Jetter's Shares. The Offer Price has been fixed by the Underwriters, in agreement with Jetter and the Selling Shareholders, using the order book created in the course of the bookbuilding process. The Offer Price may not correspond to the price at which the Shares will be traded following the Offering on the Neuer Markt segment of the Frankfurt Stock Exchange, and active trading in the Shares may not result, or may not continue, after the Offering. The number of publicly held Shares, changes in Jetter's operating results and changes in the situation of the sector as a whole as well as in the overall economy and financial markets may have a material adverse effect on the Share price, irrespective of Jetter's own results or financial position.

USE OF PROCEEDS

The Company intends to use the issue proceeds (after Underwriters' fees and commissions of approximately €1,449,170 and other costs of approximately €902,770 payable by the Company with respect to the Offering) of approximately €18,023,060 to intensify the marketing of the Company's products, especially in the United States and other countries outside Germany, to finance the Company's further growth, including potential acquisitions, to develop further the JetWeb technology, to repay certain loans from shareholders and for general corporate purposes. The Selling Shareholders will receive the proceeds from the sale of 101,874 Shares, or 239,404 Shares if the Over-allotment Option is exercised in full.

In connection with the Offering, fees and commissions of €178,280 (€418,960 if the Over-allotment Option is exercised in full) will be borne by the Selling Shareholders. All other fees, commissions and costs of approximately €2,351,940 will be borne by the Company.

DIVIDEND POLICY

All Offer Shares carry full dividend rights beginning 1 April 1999. However, the Company currently intends to retain any future earnings to finance the development of its business and, therefore, does not anticipate paying any dividends for the foreseeable future.

CAPITALIZATION

The following table shows the capitalization of the Company as at 30 June 1999. It includes a pro forma adjustment by the capital increase from DM 568,200 to DM 2,889,386 and its conversion into €1,477,320 which was resolved upon by the general shareholders' meeting on 17 June 1999, and the further capital increase by €815,000 to €2,292,320, which was resolved upon at the same meeting. These changes, except for the further capital increase, took effect upon registration in the commercial register on 28 July 1999. The further capital increase took effect upon registration in the commercial register on 16 August 1999. The table also includes the issue proceeds from the latter capital increase.

(in thousands)

	30 June 1999		
	(unaudited)		
	Pro forma adjustment to reflect capital increases		
	Actual		
Shareholders' Equity:			
Share Capital	DM 568	DM 4,483	€2,292
Capital Reserves	168	38,256 ⁽¹⁾	19,560 ⁽¹⁾
Revenue Reserves	2,300	—	—
Retained Earnings ⁽²⁾	(988)	177 ⁽³⁾	90 ⁽³⁾
Total Shareholders' Equity	DM 2,048	DM 42,916⁽¹⁾	€21,942⁽¹⁾

⁽¹⁾ Calculated on the basis of a subscription price of €25.

⁽²⁾ Profit carried forward and net profit (loss).

⁽³⁾ This amount results from the transfer of DM 1.8 million from retained earnings to revenue reserves and its subsequent conversion to share capital.

SELECTED FINANCIAL INFORMATION

The following selected financial information of Jetter as at 30 June 1996, 1997 and 1998 and 31 March 1999 is derived from unconsolidated financial statements of the Company (HGB) and consolidated financial statements of the Jetter Group (IAS), which have been audited by Schitag Ernst & Young, Deutsche Allgemeine Treuhand AG, Wirtschaftsprüfungsgesellschaft, Stuttgart ("Schitag Ernst & Young") and are included elsewhere in this Prospectus. In addition, selected unaudited financial information is shown as at 30 June 1999. The historical results are not necessarily indicative of the operating results to be expected in the future. The following selected consolidated financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and Notes thereto included elsewhere in this Prospectus.

JETTER AG (ACCORDING TO HGB) (in thousands)

	Fiscal Year Ended 30 June			Nine Month Fiscal Period Ended 31 March 1999	Three Months Ended 30 June 1999
	1996	1997	1998		
					(unaudited)
Profit and Loss Statement:					
Revenues	DM 18,052	DM 19,028	DM 23,337	DM 15,765	DM 5,667
Increase (Decrease) in Finished and Unfinished Goods and Work in Progress	812	65	803	(323)	(28)
Own Work Capitalized	—	97	95	99	105
Other Operating Income	274	274	452	646	209
Cost of Materials ⁽¹⁾	(8,583)	(8,469)	(8,566)	(4,991)	(1,940)
Personnel Costs ⁽²⁾	(6,148)	(6,674)	(8,635)	(6,820)	(2,721)
Depreciation and Amortization on Intangible Assets and Tangible Fixed Assets	(660)	(750)	(829)	(786)	(312)
Other Operating Expenses	(2,521)	(3,190)	(3,580)	(3,893)	(2,070)
Interest (Expenses) Income	(86)	(169)	(103)	(77)	(68)
Write Downs on Financial Assets	—	—	(273)	—	—
Result from Ordinary Business Activities	DM 1,141	DM 212	DM 2,701	DM (380)	DM (1,158)
Extraordinary Income (Expenses)	—	510	(363)	—	—
Tax (Expenses) Income	(677)	(419)	(1,321)	167	(8)
Net Income	DM 464	DM 303	DM 1,016	DM (213)	DM (1,166)
	30 June			31 March	30 June
	1996	1997	1998	1999	1999
					(unaudited)
Balance Sheet Data:					
Cash and Cash Equivalents	DM 508	DM 117	DM 189	DM 18	DM 20
Current Assets ⁽³⁾	5,849	7,351	8,925	9,261	10,090
Total Assets	7,639	9,258	10,945	12,858	13,881
Total Debt ⁽⁴⁾	1,388	2,198	1,523	4,702	6,336
Shareholders' Equity	1,871	2,174	3,190	3,213	2,048

⁽¹⁾ Cost of raw materials, supplies and purchased merchandise and cost of purchased services.

⁽²⁾ Wages and salaries, social security and pension costs.

⁽³⁾ Including prepaid expenses.

⁽⁴⁾ Liabilities to banks and liabilities to shareholders consisting of loans from Martin Jetter and Kurt Hauser.

JETTER GROUP
(ACCORDING TO IAS)
(in thousands)

	Fiscal Year Ended 30 June 1998	Nine Month Fiscal Period Ended 31 March 1999	Three Months Ended 30 June 1999
			(unaudited)
Profit and Loss Statement:			
Revenues	DM 28,515	DM 17,836	DM 7,195
Other Income	479	745	269
Total Revenues	DM 28,994	DM 18,581	DM 7,464
Cost of Materials ⁽¹⁾	(8,977)	(6,238)	(2,561)
Gross Profit	DM 20,017	DM 12,343	DM 4,903
Personnel Cost ⁽²⁾	(10,346)	(7,979)	(3,081)
Depreciation and Amortization on Intangible Assets and Tangible Fixed Assets	(969)	(993)	(371)
Other Operating Expenses	(4,764)	(4,711)	(2,312)
Operating Income	DM 3,938	DM (1,340)	DM (861)
Interest and Similar Income	27	58	16
Interest and Similar Expenses	(151)	(129)	(86)
Profit Before Tax	DM 3,814	DM (1,411)	DM (931)
Income Taxes	(1,449)	471	(96)
Other Taxes	(4)	(5)	(2)
Net Profit (Loss)	DM 2,361	DM (945)	DM (1,029)
	30 June 1998	31 March 1999	30 June 1999
			(unaudited)
Balance Sheet Data:			
Cash and Cash Equivalents	DM 1,628	DM 1,316	DM 1,123
Current Assets	12,340	11,720	13,248
Total Assets	14,517	14,698	16,367
Total Debt ⁽³⁾	1,880	4,702	6,337
Shareholders' Equity	5,188	3,688	2,740

⁽¹⁾ Increase (Decrease) in finished or unfinished goods and work in progress, cost of raw materials, supplies and purchased merchandise and cost of purchased services plus pro rated amounts from capitalized expenditure relating to costs of material.

⁽²⁾ Wages and salaries and social security and pension costs, plus pro rated amounts from capitalized expenditure relating to personnel costs.

⁽³⁾ Liabilities to banks and liabilities to shareholders consisting of loans from Martin Jetter and Kurt Hauser.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus. This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Risk Factors".

All financial information in this Prospectus is prepared on an HGB basis unless otherwise indicated.

Overview

The Company was founded and began operations in 1980. Jetter develops, markets and supports a suite of advanced programmable logic controllers ("PLCs"), called Process PLCs. Process PLCs consist of hardware with integrated software and are typically used in systems for the control of industrial automation processes and equipment. Jetter's products include base units, servo controllers, visualization units and remotes, which are typically combined to form all or part of these control systems. Jetter also provides services to support the sale of its products, including co-development of solutions together with its customers.

After incorporation, the Company developed its first controller with simple plain text language in 1981. During 1982 the Company began developing industrial automation control systems technology. The Company presented its Process PLC technology at the Hanover Fair in 1985, at which time the Company was beginning to introduce standardized products. In order to meet the changing demands of the market place, Jetter has rethought the fundamental PLC structure and consequently is in the process of developing a new suite of controller products, the JetWeb suite.

Jetter first expanded outside Germany in 1988, followed by the founding of Jetter Automation Ltd. (England) in 1991, Jetter (Schweiz) AG (Switzerland) in 1994 and Jetter Asia Pte. Ltd. (Singapore) in 1994 (formerly CYBEX Solutions Pte. Ltd.). The Jetter Group intends to increase its percentage of non-German revenues substantially. In the nine month fiscal period ended 31 March 1999 revenues generated from Germany, the European Union and the rest of the world were 69.6%, 11.4% and 19.0% of total revenues, respectively. The relatively low percentage of revenues generated from the rest of the world was primarily due to the ongoing economic recession in Asian countries. For fiscal years ended 30 June 1996, 1997 and 1998, the Jetter Group's revenues from Germany were 48.6%, 52.1% and 58.4% of total revenues, revenues from the European Union were 5.5%, 10.5% and 9.0% of total revenues and revenues from the rest of the world were 45.9%, 37.4% and 32.6% of total revenues, respectively. The Jetter Group had a currency exposure to the Singapore dollar, the Swiss franc, pound sterling and the US dollar of 12.3%, 7.3%, 5.0% and 2.9% of total revenues (IAS) in the nine month fiscal period ended 31 March 1999, respectively. Approximately 87% of the Jetter Group's costs (IAS) are billed in Deutsche Mark. The Jetter Group does not currently engage in risk management activities with respect to its foreign currency exposure. Although Jetter's management will continue to monitor the Jetter Group's exposure to currency fluctuations, exchange rate fluctuations may nevertheless have a material adverse effect on the Jetter Group's business and operating results.

Revenues from sales of control systems products, as well as other products, are recognized upon shipment. Revenues from applications, such as individual software programming ancillary to the sale of hardware, are recognized upon acceptance by the buyer.

Revenues from the Jetter Group's top ten customers accounted for 47.8% of total revenues (IAS) in the nine month fiscal period ended 31 March 1999 and 51.3% in fiscal year 1998. The biggest customer in the nine month fiscal period ended 31 March 1999 accounted for 15.2% of total revenues and the biggest customer in fiscal year 1998 accounted for 21.2%. During fiscal year 1998 the average revenue generated per customer for the Jetter Group was less than DM 50,000. The Company plans to focus its sales efforts more on larger customers with the intention of providing higher average annual revenue per customer. This may result in lower margins than revenues generated with existing customers.

Results of Operations

The following table sets out certain items from the Company's unconsolidated profit and loss statements under the German Commercial Code (HGB) as a percentage of total revenues for the periods indicated.

Unconsolidated Profit and Loss Information in accordance with HGB

	Fiscal Year Ended 30 June			Nine Month Fiscal Period Ended 31 March 1999	Three Months Ended 30 June 1999 (unaudited)
	1996	1997	1998		
Statement of Operations Data:					
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Increase (Decrease) in Finished and Unfinished Goods and Work in Progress	4.5%	0.3%	3.4%	(2.0%)	(0.5%)
Own Work Capitalized . .	0.0%	0.5%	0.4%	0.6%	1.8%
Other Operating Income	1.5%	1.4%	1.9%	4.1%	3.7%
Cost of Materials	(47.5%)	(44.5%)	(36.7%)	(31.7%)	(34.2%)
Personnel Costs	(34.1%)	(35.1%)	(37.0%)	(43.3%)	(48.0%)
Depreciation and Amortization on Intangible Assets and Tangible Fixed Assets .	(3.7%)	(3.9%)	(3.6%)	(5.0%)	(5.5%)
Other Operating Expenses	(14.0%)	(16.8%)	(15.3%)	(24.7%)	(36.5%)
Interest (Expenses) Income	(0.5%)	(0.9%)	(0.4%)	(0.5%)	(1.2%)
Write-Downs on Financial Assets	(0.0%)	(0.0%)	(1.2%)	(0.0%)	(0.0%)
Result from Ordinary Business Activities . . .	6.3%	1.1%	11.6%	(2.4%)	(20.4%)
Extraordinary Income (Expenses)	0.0%	2.7%	(1.6%)	0.0%	0.0%
Tax (Expenses) Income .	(3.7%)	(2.2%)	(5.7%)	1.1%	(0.2%)
Net Income	2.6%	1.6%	4.4%	(1.4%)	(20.6%)

Three Months Ended 30 June 1999

Revenues were DM 5.7 million in the three months ended 30 June 1999. Revenues were slightly higher than expected, due to relatively strong development in the relevant Asian countries' economies. 63.9% of revenues were generated in Germany. PLC sales generated 42.1% of revenues. Personnel expenses increased from 43.3% to 48.0% of revenues. This increase was largely due to the hiring of five additional employees, an increase in annual salaries of 3.2% and a one-off payment to the employees of 1.0% arising from a collective wage agreement. Other operating expenses increased from 24.7% to 36.5% of revenues. This increase was due to higher marketing expenses for the Hanover Fair and costs of the Offering. Net loss was DM 1.2 million in the three months ended 30 June 1999.

Nine Month Fiscal Period Ended 31 March 1999

Revenues were DM 15.8 million in the nine month fiscal period ended 31 March 1999. Revenues were lower than expected, due to the ongoing economic recession in Asian countries and a downturn in capital equipment purchases in the semiconductor industry. This downturn was partially offset by an increase in revenues in Germany of approximately 8.0%. Other operating income increased as a

percentage of revenues from 1.9% to 4.1% as a result of the release of other accruals. Personnel expenses increased as a percentage of revenues from 37.0% to 43.3% as a result of the employment of 18 new employees coupled with decreasing revenues. Net loss was DM 213,000 in the nine month fiscal period ended 31 March 1999.

Results of Operations in Fiscal Years Ended 30 June 1996, 1997 and 1998

Fiscal Year Ended 30 June 1998 compared to Fiscal Year Ended 30 June 1997

Revenues. Revenues primarily include direct sales to OEM customers, system integrators/VARs and end users. Revenues were DM 23.3 million in fiscal year 1998 compared to DM 19.0 million in fiscal year 1997, an increase of 22.6%. This increase was primarily due to an increase of sales of base units which totaled DM 14.9 million (63.9% of revenues) in fiscal year 1998 and DM 11.9 million (62.6% of revenues) in fiscal year 1997, an increase of 25.2%. Within the base units, the control system Pase-E generated the major part of revenues. The Company's biggest customer in Germany also increased its purchases significantly as a result of increased demand for its machines.

Increase or Decrease in Finished and Unfinished Goods and Work in Progress. Increase in finished and unfinished goods and work in progress were DM 803,000 in fiscal year 1998 compared to DM 65,000 in fiscal year 1997. This was due to lower demand from the Asian market during the last quarter (April to June) of fiscal year 1998. As a result of a time lag in reducing production, the Company built up inventory.

Own Work Capitalized. Own work capitalized consisted of test equipment and exhibition goods for marketing which the Company manufactures and uses for demonstration purposes. Own work capitalized was DM 95,000 in fiscal year 1998 compared to DM 97,000 in fiscal year 1997, a decrease of 2.1%.

Other Operating Income. Other operating income is derived primarily from research and development grants, rental income, gains from selling fixed assets, foreign exchange gains and the raising of the reinsurance. Other operating income was DM 452,000 in fiscal year 1998 compared to DM 274,000 in fiscal year 1997, an increase of 65.0%. This increase of DM 178,000 was primarily due to federal grants for costs of development.

Cost of Materials. Cost of materials primarily included cost of raw materials and supplies, cost of purchased merchandise and cost of purchased service. Cost of purchased service primarily consists of production processes, which are outsourced. Cost of materials was DM 8.6 million in fiscal year 1998 compared to DM 8.5 million in fiscal year 1997, an increase of 1.2%. Cost of materials as a percentage of revenues was 36.7% in fiscal year 1998 compared to 44.5% in fiscal year 1997. This decrease was primarily due to price reductions for goods. Cost of raw materials, supplies and purchased merchandise (related to total cost of materials) was DM 8.1 million (94.2%) in fiscal year 1998 and DM 8.2 million (96.5%) in fiscal year 1997. Cost of electronic components before supplier discount (related to cost of raw materials, supplies and purchased merchandise) was DM 4.6 million (56.8%) in fiscal year 1998 and DM 4.8 million (58.5%) in fiscal year 1997. Cost of purchased service in fiscal year 1998 and fiscal year 1997 (in relation to total cost of material) was DM 500,000 (5.8%) and DM 304,000 (3.6%), respectively. The Company expects the cost of purchased service to increase relative to total cost of material over the coming years. This is due to Jetter's strategy of outsourcing most of its production to a small number of third parties, which is more cost effective.

Personnel Costs. Personnel costs include wages and salaries as well as social security and pension costs. Personnel costs were DM 8.6 million in fiscal year 1998 compared to DM 6.7 million in fiscal year 1997, an increase of 28.4%. This increase is largely due to the hiring of additional employees and a higher management bonus in fiscal year 1998. The number of employees of the Company was 68 on average during fiscal year 1998 compared to 59 during fiscal year 1997, an increase of 15.3%.

Depreciation and Amortization on Intangible Assets and Tangible Fixed Assets. Intangible assets are depreciated linearly over a period of two to four years. Fixtures are depreciated linearly over a period of three to eight years. Factory and office equipment is depreciated partially linear, partially degressive over a period of two to ten years. Depreciation and amortization was DM 829,000 in fiscal year 1998 compared to DM 750,000 in fiscal year 1997, an increase of 10.5%.

Other Operating Expenses. Other operating expenses primarily consisted of selling and general administration costs. Other operating expenses were DM 3.6 million in fiscal year 1998 compared to DM 3.2 million in fiscal year 1997, an increase of 12.5%. This increase is primarily due to higher sales department expenses caused by new trade fair presentation material.

Interest (Expenses) Income. Interest expenses primarily consisted of interest payments to shareholders and service of bank loans. Interest expenses were DM 103,000 in fiscal year 1998 compared to DM 169,000 in fiscal year 1997, a decrease of 39.1%. The decrease was primarily due to the repayment of loans and therefore a reduction of the debt financing.

Write-Downs on Financial Assets. Write-downs on financial assets was DM 273,000 in fiscal year 1998 compared to DM 0 in fiscal year 1997. The write-down was necessary for adjusting the value of the shares of Jetter (Schweiz) AG before the capital increase (old shares) and the write-down of the loan to Jetter (Schweiz) AG.

Fiscal Year Ended 30 June 1997 compared to Fiscal Year Ended 30 June 1996

Revenues. Revenues were DM 19.0 million in fiscal year 1997 compared to DM 18.1 million in fiscal year 1996, an increase of 5.0%. The relatively low increase was primarily due to a slowdown in the semiconductor equipment industry. Significantly increased revenues were generated by the control systems Nano and Delta, which were launched in 1997 and were primarily marketed in Germany.

Increase or Decrease in Finished and Unfinished Goods and Work in Progress. The increase in finished and unfinished goods and work in progress were DM 65,000 in fiscal year 1997 compared to DM 812,000 in fiscal year 1996, a decrease of 92.0%.

Own Work Capitalized. Own work capitalized was DM 97,000 in fiscal year 1997 compared to DM 0 in fiscal year 1996.

Other Operating Income. Other operating income was DM 274,000 in fiscal year 1997 compared to DM 274,000 in fiscal year 1996.

Cost of Materials. Cost of materials was DM 8.5 million in fiscal year 1997 compared to DM 8.6 million in fiscal year 1996, a decrease of 1.2%. This decrease of 1.2% was primarily due to price reductions for goods. Cost of materials as a percentage of total revenues was 44.5% in fiscal year 1997 compared to 47.5% in fiscal year 1996. Cost of raw materials, supplies and purchased merchandise (related to total cost of materials) was DM 8.2 million (96.5%) in fiscal year 1997 and DM 8.5 million (98.8%) in fiscal year 1996. Costs for electronic components before supplier discount (related to cost of raw materials, supplies and purchased merchandise) were DM 4.8 million (58.5%) in fiscal year 1997 and DM 4.9 million (57.6%) in fiscal year 1996. Cost of purchased service in fiscal year 1997 and fiscal year 1996 (in relation to total cost of material) was DM 304,000 (3.6%) and DM 105,000 (1.2%), respectively.

Personnel Costs. Personnel costs were DM 6.7 million in fiscal year 1997 compared to DM 6.1 million in fiscal year 1996, an increase of 9.8%. The number of employees of the Company was 59 on average during fiscal year 1997 compared to 49 during fiscal year 1996.

Depreciation and Amortization on Intangible Assets and Tangible Fixed Assets. Depreciation and amortization was DM 750,000 in fiscal year 1997 compared to DM 660,000 in fiscal year 1996, an increase of 13.6%.

Other Operating Expenses. Other operating expenses were DM 3.2 million in fiscal year 1997 compared to DM 2.5 million in fiscal year 1996, an increase of 28.0%. This increase was primarily due to higher expenses for warranties.

Interest (Expenses) Income. Interest expenses were DM 169,000 in fiscal year 1997 compared to DM 86,000 in fiscal year 1996, an increase of 96.5%. This increase was primarily due to higher interest paid to lenders and short-term bank loans.

Liquidity and Capital Resources

The Company has financed its operations to date principally through financings and short-term borrowings, liabilities to shareholders and cash flows from operations. As at 31 March 1999, liabilities to shareholders were DM 1.1 million (DM 504,000 to Kurt Hauser and DM 597,000 to Martin Jetter). The contracts for these loans are for an unlimited amount and for an unlimited period. The interest rate of these liabilities is 7.0% per annum. All or part of this amount can be canceled on one month's notice. These loans are to be repaid out of the proceeds of the Offering.

During the nine month fiscal period ended 31 March 1999, cash and cash equivalents decreased by DM 171,000 to DM 18,000. This was primarily due to negative cash flows from investment activities of DM 2.3 million, which included the merger with KRAUT Mikroelektronik GmbH. Furthermore, the reduction of short term accruals and other liabilities led to a negative cash flow of DM 1.4 million.

During fiscal year 1998, cash and cash equivalents increased by DM 72,000 due to positive cash flows from ordinary activities of DM 1.9 million and negative cash flows from investment activities of DM 1.1 million. During the nine month fiscal period ended 31 March 1999, there was a cash outflow of DM 68,000 from financing activities.

During fiscal year 1997, cash and cash equivalents decreased by DM 391,000 due to negative cash flows from ordinary activities of DM 864,000 and negative cash flows from investment activities of DM 667,000. During fiscal year 1997, there was a cash inflow of DM 330,000 resulting from the capital increase carried out in fiscal year 1996.

Accounts receivable and other assets increased to DM 4.5 million during the nine month fiscal period ended 31 March 1999. Accounts receivable and other assets in fiscal year 1998, fiscal year 1997 and fiscal year 1996 were DM 4.1 million, DM 4.6 million and DM 2.8 million, respectively. Accounts receivable from deliveries and services decreased to DM 1.8 million for the nine month fiscal period ended 31 March 1999. Accounts receivable from deliveries and services in fiscal year 1998, fiscal year 1997 and fiscal year 1996 were DM 2.0 million, DM 2.3 million and DM 1.0 million, respectively. In order to take into consideration the latent default risk with the accounts receivable from deliveries and services, a lump sum adjustment of the accounts receivable was made at the close of the nine month fiscal period ended 31 March 1999, fiscal year 1998, fiscal year 1997 and fiscal year 1996 in the amount of 1%. The accounts receivable against associated businesses resulted from dealings with deliveries and services.

Trade payables decreased to DM 274,000 for the nine month fiscal period ended 31 March 1999. Trade payables in fiscal year 1998, fiscal year 1997 and fiscal year 1996 were DM 707,000, DM 499,000 and DM 677,000 respectively.

Liabilities to banks increased to DM 3.6 million for the nine month fiscal period ended 31 March 1999. Liabilities to banks in fiscal year 1998, fiscal year 1997 and fiscal year 1996 were DM 274,000, DM 986,000 and DM 47,000 respectively.

The Company presently expects that the net proceeds of the Offering, together with its current capital resources and available borrowings, should be sufficient to meet its operating and capital requirements for at least the next 12 months. The Company may, however, seek additional debt or equity financing prior to that time. Additional capital may not be available to the Company on favorable terms or at all. The sale of additional debt or equity securities may additionally cause dilution to existing shareholders.

BUSINESS

Overview

Jetter develops, markets and supports a suite of advanced programmable logic controllers (“PLCs”), called Process PLCs. They consist of hardware with integrated software and are typically used in systems for the control of industrial automation processes and equipment. Jetter’s products include base units, servo controllers, visualization units and remotes, which are typically combined to form all or part of these control systems. The machines controlled by Jetter’s Process PLCs vary in size from individual robots, handling systems and packing machines up to whole automated assembly lines such as semiconductor production lines. Jetter’s customers are original equipment manufacturers (“OEMs”), systems integrators/VARs and end users primarily in semiconductor manufacturing, plastic products manufacturing or other automated manufacturing industries.

In order to meet the changing demands of the market place, Jetter has rethought the fundamental PLC structure and is developing a new suite of products, the JetWeb suite, which is designed to bring the advantages of computer networking to industrial automation. The JetWeb suite is aimed at meeting end users’ demands for lower installation and maintenance costs, quicker installation, flexible manufacturing capability and access from any point on the control system.

Industry Background

Control Systems

Control systems are arrangements of hardware and software which collect information from various stages of an industrial process, including sensor data and instructions from human controllers, and act on the information and instructions according to pre-programmed rules of logic. For example, a human controller may instruct the system to drill a certain number of holes in each sheet of metal passing along an assembly line. The control system would, according to a pre-programmed sequence, give instructions to move each sheet into position, start up, insert and remove the drill, then move the sheet on to the next production stage. At each of these steps the control system would collect feedback information, such as to determine whether the drill had reached the appropriate depth so as to trigger the next step in the process.

Control systems have traditionally contained one or more PLCs, also referred to as controllers. A PLC combines hardware with sophisticated integrated software and provides the main intelligence either for the whole control system or for one local part of the control system.

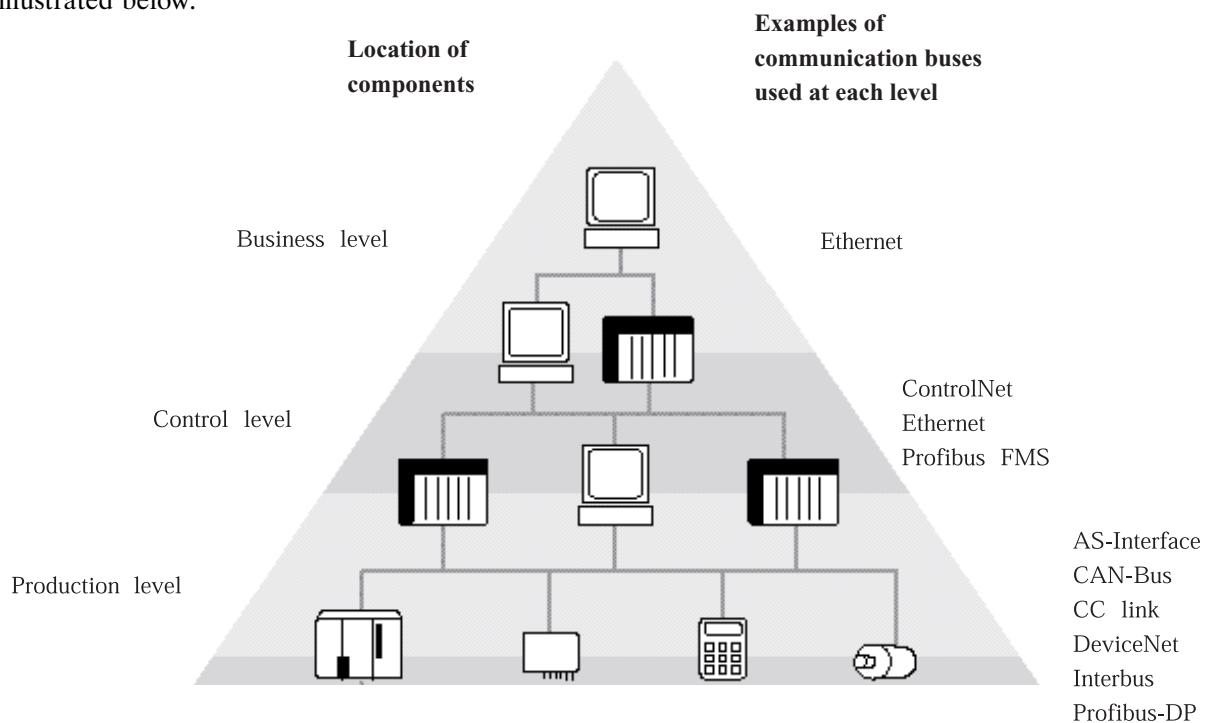
Global Markets

In 1998, global sales of PLCs amounted to an estimated U.S.\$5.5 billion, consisting of hardware (81%), software (10%) and services (9%). Over the past three years sales of software and services as a proportion of total sales have risen, principally as a result of the increasing complexity of control systems requiring greater effort to integrate the various items of hardware, both at the time of installation and in subsequent maintenance. Worldwide, the principal markets are the United States, Germany and Japan, accounting for 21%, 21% and 17% of global sales in 1998, respectively. Within Europe, Germany is the largest market, accounting for 45% of sales, with France, the United Kingdom and Italy accounting for 13%, 9% and 9%, respectively, of sales in 1998.

Control Systems Architecture

Traditionally, control system products have not used open, generally accepted technical standards, or protocols, for their components and communication but have rather used closed, proprietary protocols which are not designed to work with products from rival manufacturers. Major manufacturers usually make public their own protocols, allowing other, often smaller, manufacturers to develop complementary products using the same protocols. A family of complementary products from different manufacturers can be interconnected using a communication bus specific to that family of products, but is not compatible with products in a different family. The main manufacturers worldwide, each with their own families of products, are Rockwell Automation, based in the United States and using the ControlNet and DeviceNet communication buses, Siemens Automation & Drives, based in Germany and using Profibus, and Mitsubishi Electric Automation, based in Japan and using CC link.

Within any one control system different protocols are used at different levels of the system, even among products from a single manufacturer. A control system usually consists of three distinct levels as illustrated below.



- The business level includes the systems used by management, marketing, sales etc, typically comprised of personal computers (“PCs”).
- The control level includes the systems used by the technical staff who oversee the production process, typically comprised of PLCs, PCs and visualization units.
- The production level includes the devices installed to measure and physically control the actual processes on the production floor, such as transmitters, sensors, actuators and Input/Output connections (“I/Os”).

Each of these levels typically uses different communication buses, based on different protocols, for example Ethernet at the business level; ControlNet, Ethernet or Profibus-FMS at the control level; and AS-Interface, CAN-Bus, CC link, DeviceNet, Interbus or Profibus-DP at the production level.

These different protocols make it difficult to exchange information within a traditional control system. Information is stored in different parts of the system and, when needed, is copied, packaged and sent through each intermediate level of the system, for example from the production level to the control level and on to the business level. Each of these levels may introduce delay, and possible errors, as different pieces of hardware, often using different protocols and programming languages, package the information and transmit it. There may also be delays as information from different parts of the system must queue in order to pass through a particular gateway into or out of a piece of hardware.

Issues with Existing Control System Architecture

As end users’ requirements have become more sophisticated, the task of installing and maintaining control systems has become more difficult, time consuming and expensive. The complexity of the software needed to link and control all the different components has increased greatly. OEMs and systems integrators also face increasing costs when “debugging” the final system of errors and supporting or modifying the system after installation, as a result of combining components which are based on different protocols.

These increases in costs and time have prompted many observers in the controller industry to suggest that the current use of closed, proprietary products should be replaced by truly “open” products, that is products which are designed according to generally accepted, published protocols and

which are easily integrated with any products made by other manufacturers following the same protocols. This would greatly reduce the complexity of the software which needs to be written to integrate the components, as well as the time and costs of installation and subsequent support.

A further benefit of open systems is that they enable end users to continue to buy a suite of products from a single source, thereby having a single supplier responsible for any potential problems with the overall system, yet allowing them to have alternative sources of supply in case their primary source ceases for any reason.

In many business computing areas other than industrial automation, open systems have now become standard. Ethernet is the standard communication system and TCP/IP is the accepted protocol for the Internet. Switching technology has also been developed using standard protocols, thereby enabling any device to communicate directly with any other device in the system without danger of collisions between the information flows within the system. This technology also permits computing equipment to be arranged in a network, without the need for a hierarchical command system, as each net user can communicate with equal communication rights. As a result, products from different manufacturers have become interchangeable commodities, thereby both reducing costs and increasing options for the consumer.

Distributed Intelligence

Many industry observers have also suggested that the traditional control system's centralized structure would be improved by distributing intelligence and ultimately moving to a networked system. Distributing intelligence means that, rather than having a central controller giving instructions to and collecting information from a series of remote "dumb" devices, the intelligence of the system would be located where it was actually used. For example, a small part of an industrial process might involve a camera locating an item and a robot arm then lifting it. In a traditional control system, the camera would send information back to the central controller, which would send instructions to the arm. In contrast, distributed intelligence enables the camera and the arm to communicate directly with each other to perform the task without reference back to the central controller, instead simply informing the central controller when the entire task is completed. The next logical development would be to remove central control altogether by designing the control system as a decentralized network. In this case the control intelligence of the whole network resides among the sensors and the actuators rather than in central controllers. In short, the network becomes the controller.

The use of a decentralized network with distributed intelligence has several advantages compared to traditional industrial automation systems. It greatly reduces the amount of wiring required, as each device need only be connected to a single loop which connects the entire system, rather than every device being individually connected to a central controller. The combination of this decentralization and the use of existing switching technology also increases the speed of the control system.

Integration of Business IT with Industrial Automation Technology

As a result of increasing global competition, the trend to flexible manufacturing and the trend towards greater access to information from computer systems, many end users are being forced to expand into international markets, reduce costs and time-to-market, tailor their products more closely to their customers' needs and integrate existing business IT networks with industrial automation systems. These factors are placing new demands on the producers of industrial automation control systems equipment, which would be better met by a change to open standards and intelligence distributed throughout a network.

A similar change occurred in the computer market in the late 1980s and early 1990s, when closed, proprietary central mainframes linked to "dumb" terminals were replaced by PCs each with local intelligence communicating using standard industry protocols. The trend in computer manufacturing is continuing to undergo further evolution due to increasing general acceptance of the Internet, which is based on the TCP/IP protocol and has its intelligence and databases distributed worldwide rather than in any central location.

For the reasons above, Jetter believes that the industrial automation control systems market is entering a period of fundamental change, much as happened in computer manufacturing approximately

ten years ago. This change provides opportunities for technologically leading companies that have products which are suited to the new demands of the industrial automation market.

The Jetter Solution

Jetter is one of the most technologically advanced mid-sized companies worldwide providing a fully integrated product and service solution for industrial automation. Jetter's product suite of hardware with incorporated software, called Process PLC, is designed to address the issues facing suppliers of industrial automation equipment by offering the following key benefits.

Highly Integrated Offering

Jetter's Process PLC consists of hardware and software components that are designed to function together as an integrated unit. Because Jetter's products use the same operating system and are programmed with the same operating language, they offer significant benefits relative to traditional PLCs. Components within the Process PLC can communicate directly with each other without the need for interfaces within the Process PLC housing, resulting in significant improvements in performance, installation and time-to-market.

Single Intuitive Programming Language

The single programming language in the Process PLC is descriptive and relates closely to the particular function of the automated process controlled rather than simply to the workings of the controller. In contrast, the traditional PLC programming language is difficult to use because it is neither task-specific nor intuitive. Because the Process PLC language is designed to be intuitive, it is easier for engineers to use, thereby greatly simplifying the programming task and reducing the average cost and time to install a control system, as well as to perform any subsequent reprogramming.

International Service Support

Because time-to-market and reliability are critically important for customers, service is a crucial component of the overall Jetter solution. Jetter is focused on providing application engineers that are highly accessible to customers to address their needs. These engineers can provide multiple services in connection with the sale and support of Jetter's products, including joint development, programming, installation and training at the time a control system is installed and, if necessary, subsequent reprogramming and training to meet evolving customer requirements. For these reasons, in expanding to other countries, Jetter typically deploys applications engineers as well as salesmen in the local market.

Next Generation Controller Technology: JetWeb

In order to meet the changing demands of the market place, Jetter has rethought the fundamental PLC structure and is developing a new suite of products, JetWeb. This suite is designed to bring advantages of computer networking to industrial automation, in particular to facilitate its ability to communicate vertically, e.g. between the production level and the business level, and horizontally, e.g. between two sensors on the production level. The JetWeb suite is aimed at meeting end users' demands for lower installation and maintenance costs, quicker installation, flexible manufacturing capability and access from any point on the system including at the business level and over the Internet. It achieves this by incorporating switches within each unit in the JetWeb suite designed to enable the easy flow of data between each constituent part within the units enabling very rapid transfer of information from any part of the system to any other, avoiding information collisions and reducing the need for separate field buses which traditional control systems use to link units.

Strategy

Jetter's objective is to be the technologically leading supplier of integrated, networked solutions for the global industrial automation market. Key elements of Jetter's strategy to achieve this objective are:

- *Develop the next generation of controller technology.* Jetter is developing the JetWeb suite, which Jetter expects will overtake the Process PLC suite as its biggest selling product line. The JetWeb

suite had a very positive reception upon introduction at the Hanover Fair in April 1999. Further development is necessary to bring the JetWeb products to the market, with customer trials starting with selected OEMs in the second half of 1999. If these trials proceed according to plan, Jetter expects to have the core JetWeb products available commercially by the time of the next Hanover Fair in April 2000. Jetter intends to patent key elements of the JetWeb design, wherever possible, and has applied for a patent in relation to the technological innovations which enable the JetWeb suite of products to operate as a network.

- *Promote market acceptance of open products.* The long term success of the JetWeb suite depends critically on the industrial automation market making the fundamental change to accept open products based on the TCP/IP protocol as the industry standard. End users are typically conservative and many of the large suppliers have a vested interest in resisting change. Nevertheless there are increasing signs that the market will change to an open standard at some time in the future. Jetter will continue to promote the benefits of adoption of the TCP/IP protocol as the standard within the industrial automation market. Jetter is currently a member of industry standards setting organizations such as the Industrial Automation Open Network Alliance (IAONA). Jetter intends to use these and other forums to understand better the needs of the market and to respond appropriately.
- *Maintain and develop the existing Process PLC suite.* Jetter intends to continue to improve its existing Process PLC suite of products through technological advancements generated by its continuing research and development program. Jetter intends to continue searching for new applications for its existing products and to expand its technical capabilities by designing new products, so as to have technological leadership in existing controller technology and adapt to new opportunities as they arise in the market.
- *Expand U.S. operations.* Jetter's long term business success will depend on gaining acceptance within the U.S. market which is the largest market worldwide for controller products. Currently Jetter has only a small presence in the U.S. market through an independent representative. Jetter plans to incorporate its own U.S. subsidiary in 2000 and to increase its public marketing expenditure in the United States to promote its existing Process PLC products and importantly the new JetWeb suite of products.
- *Review opportunities for strategic alliances.* Jetter will actively keep under review opportunities to develop strategic alliances with other participants in the control systems market. These may include other controller manufacturers for the purpose of consolidation, systems integrators/VARs to expand Jetter's service capability and high technology manufacturers to expand Jetter's suite of products, for example to include motors. If Jetter enters into such strategic alliances it is possible that they might develop into a closer form of integration such as joint venture or merger.
- *Promote internationally the Jetter brand for technologically advanced integrated networked automation solutions.* Jetter intends to expand the amount and geographical reach of its marketing. In emerging technology markets generally, recognition as a leader of fundamental changes can be key to winning market share. Therefore Jetter intends to build upon the recognition gained at the Hanover Fair in April 1999 by developing a marketing strategy which promotes the Jetter brand internationally.

Products

The market for controllers can broadly be divided into two types, process controllers and machine controllers, which are used for different industrial appliances and so typically have different specifications.

- Process controllers control the handling of materials, whether solid, liquid or gaseous. Typical industries in which they are used are the chemical, oil, steel, pharmaceutical, food processing and power industries. Typical reaction speeds for the controller are relatively slow, up to approximately one tenth of a second. There are often more than 1,000 Input/Output connections ("I/Os") in the control system. The system may be large, spreading sometimes several kilometers over a plant site. Sensors are typically analog, as they tend to measure continuously varying

parameters, such as the amount of liquid in a chamber. Process controllers make up an estimated 52% of the worldwide controller market.

- Machine controllers are used to control the handling of parts. Typical industries in which they are used include the automotive, semiconductor, and electronic and electrical engineering industries. Reaction speeds are usually critical, being measured in one hundredths of a second, particularly where the industrial process requires precision engineering. The typical number of I/O connections is between 100 and 1,000 which is lower than in a process controller. The typical size of a machine controller system is also smaller, often less than 100 meters. Sensors used are normally digital. Machine controllers make up an estimated 48% of the worldwide controller market.

Certain controllers are capable of fulfilling both a process controller and a machine controller role, and are referred to as hybrid controllers. Typically these are used in batch processing industries such as the specialty chemicals, pharmaceuticals and food and beverage industries. Some automation industry analysts believe hybrid controllers will be the fastest growing section of the controller market in the coming years.

Jetter, with its Process PLC suite of controllers, is principally active in the more demanding machine controller market. However Jetter believes that its new JetWeb products will be suitable for both the process and machine controller markets.

Jetter's Process PLC

Jetter currently sells a suite of technologically advanced machine controller products. Complementing these products Jetter also offers certain third-party components and provides services.

The high degree of integration of these products has led Jetter to brand these products Process PLC. The Process PLC has provided Jetter with key competitive advantages relative to traditional PLCs. A single operating system and a single language for all major functionalities and the introduction of a high-level language has provided Jetter's customers with significant improvements, compared to traditional PLCs, with regard to installation and service, performance and time-to-market. The further improvements in the JetWeb suite of products are a logical extension of these improvements.

Jetter's current Process PLC suite

Product	Description
Base Units (50% of sales ⁽¹⁾)	Base units typically include the hardware housing, CPU, bus, I/O cards and controller cards. Each base unit can be customized to conform to customer needs and adapted to various applications.
Servo Controllers (8% of sales ⁽¹⁾)	These are subsidiary controllers which are under the overall control of the base unit but have a certain amount of autonomy. A servo controller directs the movement of a servo motor.
Visualization Units (14% of sales ⁽¹⁾)	Also called Human Machine Interfaces, these are combined hardware and software units which enable the user to monitor the process. Typically a visualization unit consists of a standard PC which is used to show information derived from the PLC and the controlled machine and to send instructions to the PLC in order to control the process.
Remotes (4% of sales ⁽¹⁾)	These are items of hardware which provide multiple I/O connections, often used as part of a local process in order to reduce wiring costs.

⁽¹⁾ Approximate, based on Jetter Group revenues (IAS) in the nine month fiscal period ended 31 March 1999.

Jetter's Process PLC base units are divided into four basic product lines, Pase-E, Delta, Nano and Mikro. The Mikro has been largely superseded technologically by the Nano. These base units have different capabilities, for example as to the number of I/Os or the processing power of the CPU.

Jetter also sells certain components which it buys from third parties, where such components comprise part of an overall Jetter solution. As Jetter is able to purchase third-party components in bulk at lower prices, it is often able to charge a margin on these items. Approximately 16% of Jetter Group revenues (IAS) came from third party components in the nine month fiscal period ended 31 March 1999.

Jetter also provides services in connection with the sale and support of its products, typically by way of joint development, programming, installation and training at the time a control system is installed and, if necessary, subsequent reprogramming and training to meet changes in the customer's requirements. Services are an important part of the overall sales strategy for Jetter's products because applications engineers have the primary relationship with the customers. Approximately 8% of Jetter Group revenues (IAS) came from services in the nine month fiscal period ended 31 March 1999.

Technology—JetWeb

Since 1997, Jetter has dedicated a separate team of engineers solely to develop its JetWeb technology.

The technological advances in its proposed new JetWeb suite are a logical extension of the advances already made by Jetter's existing Process PLC suite.

- Process PLC directly links components performing different functions within a single housing without the need for interfaces. This reduces the complexity of software needed to control the products. An applications engineer can program the Process PLC using an easy-to-use language which describes the particular function within the automated process being controlled.
- The JetWeb suite is intended to extend this principle to the whole control system. Intelligence will be distributed throughout the network, rather than having a central controller directing the entire operation, reducing the need for communication media such as field buses. In effect, the network itself will become the controller. The applications engineer will be able to program the JetWeb control system using an easy-to-use flow diagram which describes the whole process being controlled.

The following table compares traditional PLCs with Jetter's existing Process PLC and its JetWeb system, currently under development.

Feature	Traditional PLC	Process PLC	JetWeb
Easy-to-use descriptive programming	—	✓	✓
Single programming language throughout control system	—	✓	✓
Ability to link components within controller housing without interfaces	—	✓	✓
Ease of wiring (without the need for complicated software to achieve this)	—	✓	✓
Ability to link components throughout control system without interfaces	—	—	✓
Ability to integrate business level software programs and communications systems (without the need for complicated software and/or hardware to achieve this)	—	—	✓
Replacement of three level control system architecture by a single level network	—	—	✓
Uses of TCP/IP protocols giving open connection to the Internet	—	—	✓

The key features of the JetWeb system are as follows:

- The JetWeb system will use the TCP/IP protocol. This will ease communication between the production, control and business levels as well as to anyone connected to the system, including over the Internet. To the best of Jetter's knowledge, no competitor has announced that it has achieved this capability in a system which operates sufficiently rapidly to meet typical industrial automation demands.
- The JetWeb system will offer a suite of products for each level of the control system which are designed to be fully compatible with one another, using a single protocol and a single programming language. This reduces the problems which current control systems have in trying to integrate a number of different products which use different protocols and programming languages.
- The JetWeb system will enable real time transfer of data "vertically", from the production floor to production management and corporate management, and vice versa, and "horizontally", e.g. between a sensor and a machine on the production floor. This can give the customer greater ability to monitor and control the industrial process, for example when customizing orders.
- The JetWeb system will avoid the need for packaging and sending copies of information. It does so by using a network, whereby any single item of information is kept in one place only and can be directly accessed from any other place in the system. The system used for this transfer of data is 100 Mbit Fast Ethernet. Ethernet is a low cost, highly reliable method of connection, which is used by existing computer networks and offers rapid transfer of data.
- Because the single programming language in which JetWeb is written is fully compatible with PCs:
 - information from anywhere in the system can be obtained through a PC connected to the system, so that, for example, the sales force can obtain real time information on the status of a particular customized order, using a normal desktop PC or a laptop computer;
 - the whole system can be simulated on a PC, which, in particular, enables OEMs to simulate the system before it is physically built, which can reduce time-to-market; and
 - the system can be completely serviced from a PC, reducing the time needed both for installation and testing and for subsequent ongoing maintenance and repair.

In addition, because the JetWeb protocols are fully compatible with the Internet, this simulation and servicing can conveniently be done at long distance using the Internet. With information provided over the Internet to the customer help desk's screen at Jetter's headquarters, Jetter's help desk will be able to analyze the system at work in real time and, where possible, solve customer problems even where the customer is on the other side of the world. Similarly Jetter will conveniently be able to send software updates to customers over the Internet, potentially without the need for a site visit. These advantages are also available to OEMs that wish to service machines incorporating JetWeb products which the OEMs have previously installed at end users.

Jetter believes that these factors will give the JetWeb system the following marketing advantages over traditional industrial automation control systems:

- significantly reduced software costs, increasing the product's competitiveness against rival products;
- significantly reduced time and costs of installation;
- reduced time for debugging and testing; and
- simplified (and remote) servicing, reducing down times for the customer's production.

The JetWeb technology is due to be installed on a trial basis with a number of OEMs in the second half of 1999. These trials will enable Jetter and the OEMs to test the technology in its intended environment and further refine the technology. If these trials go according to plan, Jetter expects the core JetWeb products to be commercially available in time for the Hanover Fair in April 2000.

Jetter presented prototypes of its JetWeb suite of products at the Hanover Fair in April 1999. There was considerable interest in these products both at that fair and in the professional press. No other producer at that fair demonstrated a complete suite of networked products which were all based on the TCP/IP protocol making them compatible with existing computer networks and the Internet.

Research and Development

Jetter considers continuous research and development of new products to be essential in order to have long-term success in the competitive market of automation technology. Jetter has therefore created a separate Development Division. This is divided into three groups, Process PLC Development, JetWeb Development and Testing.

- The Process PLC Development Group is responsible for development of products within Jetter's existing suite of products as well as customization of products according to a particular customer's demands.
- The JetWeb Development Group is dedicated full-time to the development of the new JetWeb suite of products. Employees are responsible either for hardware or software development.
- The Testing Group tests products before release. An important element of this is EMC testing which checks that they do not breach statutory electromagnetic interference limits, which for example can affect radio transmissions, and are not unduly susceptible to peaks in incoming electromagnetic signals.

All research and development is currently carried on at a separate facility near Jetter's head office in Ludwigsburg. In the nine month fiscal period ended 31 March 1999, the Jetter Group spent approximately 15% of its revenues (IAS) on research and development.

Sales and Marketing

Jetter first expanded its sales outside Germany in 1988 and it has recently expanded further internationally and intends to increase its percentage of non-German income substantially. Jetter believes that its listing on the Neuer Markt segment of the Frankfurt Stock Exchange will help its international expansion, both by raising its profile and international credibility and by giving it the flexibility to offer Shares, subject to necessary shareholder approval, for the acquisition of companies and businesses.

Germany. Until 1996, Jetter employed only two sales representatives in Germany and had no formal advertising personnel. Since 1996, Jetter has expanded its German sales operations by establishing, in addition to the sales office at Jetter's headquarters in Ludwigsburg, its Sales Office North in Lippstadt in the summer of 1998. Continuing its expansion, Sales Offices East and South, in Illmenau and Ingolstadt respectively, are due to open in the fourth quarter of calendar year 1999.

Sales in Germany accounted for 61.5% of Jetter Group revenues (IAS) in the nine month fiscal period ended 31 March 1999. Jetter currently has a total of six applications engineers in addition to six sales personnel in Germany.

United States. Jetter established operations through an independent representative in Cleveland in 1992 to establish representation in the United States as one of the most important strategic markets. Jetter also considered U.S. representation to be a useful tool to help obtain German customers which had a large export share in the United States. The fundamental market changes described above which Jetter expects in the industrial automation market are more advanced in the United States than other countries, so representation in the United States is also useful to obtain and share new ideas with industrial automation market participants. For these reasons Jetter also considers it important to spend resources on public relations to promote itself and its products in the United States.

Sales in the United States accounted for 3.6% of Jetter Group revenues (IAS) in the nine month fiscal period ended 31 March 1999. Jetter currently has three applications engineers in the United States, who also perform a sales function.

Switzerland. In 1994, Jetter established a subsidiary in Tägerschen, Switzerland to service existing clients such as Tecaprint and Rolex. Since then a larger client base has been established in Switzerland. Jetter owns 85% of the shares of the subsidiary with the other 15% being held by local management.

Sales in Switzerland accounted for 7.3% of Jetter Group revenues (IAS) in the nine month fiscal period ended 31 March 1999. Jetter currently has two applications engineers and one sales representative in Switzerland.

Great Britain. Due to Britain's high market potential, Jetter founded a wholly-owned subsidiary, Jetter Automation Limited, in Aldridge, England in 1992.

Sales in Great Britain accounted for 5.0% of Jetter Group revenues (IAS) in the nine month fiscal period ended 31 March 1999. Jetter currently has two applications engineers and two sales personnel in England.

Asia. Asia's great market potential led Jetter to found a subsidiary in Singapore in 1994. Originally this was a joint venture with one of its major customers, ASA Limited, but in February 1999 Jetter acquired ASA's shareholding. Jetter therefore now owns 94% of the shares, with the other 6% held by existing and former local management. Due to its political and social structure, Jetter believes Singapore is ideally suited as a base for its Asian operations. China, South Korea and Taiwan are currently supplied from Singapore. Although Jetter does sell through systems integrators/VARs in other Asian countries such as Indonesia and Thailand, there is no significant revenue in these countries.

The Asian crisis has had a severe negative impact on Jetter's operations and results from that region, in particular in the nine month fiscal period ended 31 March 1999. Jetter still believes that it is worth maintaining its operations in Asia because in the medium to long term it expects this to be a significant market.

Sales in Asia accounted for 14.5% of Jetter Group revenues (IAS) in the nine month fiscal period ended 31 March 1999. Jetter currently has four applications engineers and two sales personnel in Asia.

Elsewhere. Jetter opened a sales office in the Netherlands in February 1999, with one applications engineer and one sales person. Jetter also sells through systems integrators/VARs in Belgium, Denmark, Finland, Ireland, Israel and Spain. Preparations are currently under way to establish a branch in Italy, which Jetter believes has a high market potential. In contrast, despite its market potential, investments are not immediately planned in France due to the high market entrance barriers, principally the resistance to foreign suppliers and the need for translations. Initial exploratory discussions are currently under way in Japan with the aim of entering into contractual relationships with local controller companies. These may consist either of a strategic partnership or a joint venture which, because of high market entrance barriers, Jetter believes is the best way to gain entry to one of the world's largest markets.

Sales in Europe, other than Germany, Switzerland and Great Britain, accounted for 8.0% of Jetter Group revenues (IAS) in the nine month fiscal period ended 31 March 1999.

Customers

Jetter's customers include OEMs, systems integrators/VARs and end users.

Original Equipment Manufacturers

OEMs manufacture machines and systems for sale to end users. Typically each OEM concentrates on a particular market segment, for example packaging machines, handling systems, robots or semiconductor production systems. Large OEMs may manufacture and sell a substantial number (hundreds and occasionally thousands) of identical or similar machines. Jetter sells its products to OEMs which incorporate them into their machines and systems. Often Jetter works together with the OEM on the development of a new machine or system. Jetter will not normally charge for this joint development with OEMs. However, this group of customers is important to Jetter's turnover and profits as, although there are upfront development costs, once the product has been developed to meet a particular OEM's demands, Jetter is merely obliged to deliver repeat orders with little or no further development, installation or servicing costs. Although the profit margins are typically lower than for direct sales to end users, this is compensated by the high volume of sales. OEMs are therefore the most important contributors to Jetter's revenue and profits, accounting for 66% of Jetter Group revenues (IAS) in the nine month fiscal period ended 31 March 1999.

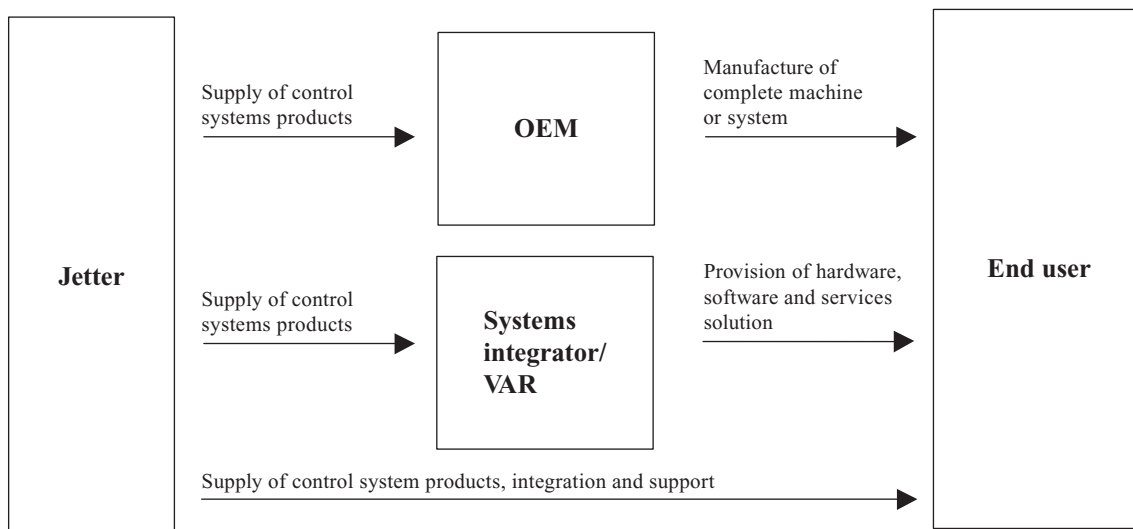
Systems integrators/VARs

Systems integrators typically offer to manufacturers and other users complete solutions, that is hardware, software and services such as installation to solve the particular need of the customer. Systems integrators purchase Jetter's products to integrate into these solutions. The major advantage of this group of customers is that Jetter does not have ongoing responsibility for installation, which can otherwise be a substantial commitment. VARs perform a similar role as systems integrators, from Jetter's point of view, often taking responsibility for the installation of Jetter's products with end users. Systems integrators/VARs have traditionally not represented a major part of Jetter's sales, accounting for a total of only 10% of revenues (IAS) in the nine month fiscal period ended 31 March 1999. This is because systems integrators/VARs in Germany are generally smaller companies which do not have the resources to undertake more than a relatively small number of projects each year.

End users

End users accounted for 24% of Jetter Group revenues (IAS) in the nine month fiscal period ended 31 March 1999. End users come from a wide variety of sectors, from manufacturing production lines to theatre production. As there is no intermediary, either OEM or systems integrator/VAR, supply of the product directly to an end user almost inevitably requires Jetter to commit considerable resources to installation, testing and after-sales service. For this reason Jetter does not promote its products for sale directly to end users, and when requested it will usually encourage the end user to engage the services of a systems integrator.

As a result there are three main ways for Jetter's products to reach the end user as follows.



Jetter's ten major customers by revenue in the nine month fiscal period ended 31 March 1999 were as follows (in alphabetical order).

<u>Name of customer</u>	<u>Location</u>	<u>Type</u>	<u>End use</u>
ASA Limited	Asia	OEM	semiconductor production equipment
Aumann GmbH	Germany	OEM	coil winding machines
BARTEC GmbH	Germany	OEM	plastic moulding machines
Bausch & Ströbel GmbH & Co.	Germany	OEM	packaging machines
Haffner GmbH	Germany	OEM	plastic window production equipment
Hübers GmbH	Germany	OEM	plastic moulding machines
Teca-Print AG	Switzerland	OEM	printing machines
Vierpool b.v.	Netherlands	systems integrator/VAR	primarily, windmill production equipment
W. Weser GmbH	Germany	intermediary for OEM	coil winding machines
Willi Stürtz GmbH	Germany	OEM	plastic window production equipment

Together these customers accounted for approximately 48% of Jetter Group revenues (IAS) in the nine month fiscal period ended 31 March 1999. The largest customer accounted for approximately 15% of revenues.

Competition

Competition in the industrial automation control systems market is intense. Jetter competes with a wide range of manufacturers and other businesses, including large, established firms and small, new firms.

Jetter's competitors include some of the largest companies in the electronics industry, including Siemens Automation & Drives, Rockwell Automation, Schneider Automation and Mitsubishi Electric Automation. These companies alone had an estimated 66% of the worldwide PLC hardware market in 1997. Many of Jetter's competitors have longer operating histories, strategic alliances, far greater resources including finances, personnel and marketing resources, significantly greater brand recognition and a broader product range. This may better enable these competitors to apply greater resources in reaction to changing demands in the control systems market and indeed to shape the market itself.

Jetter's competitors also include a number of newer, smaller firms. Often these have a PC-orientated software background and intend to apply this technology to the control systems market. Some of the most successful new firms include U.S. companies such as Object-Automation, Zone Automation, Steeplechase and Think & Do. As a result of their relatively small size, strong owner management, innovation and lack of an installed customer base which needs to continue to be serviced, this category of firm may be able to react more quickly and cost effectively to changes in the control systems market. However, Jetter believes that these competitive advantages are greater compared to larger, established firms than compared to a mid-sized, technologically advanced company with a significant level of management ownership such as Jetter.

A number of competitors have developed products which solve some of the problems experienced by traditional PLCs described under "Industry Background" above, generally by improving the performance of hierarchical systems based on field buses. However to the best of Jetter's knowledge, no competitor is as advanced as Jetter in developing technology which replaces the hierarchical structure of a traditional control system with a networked system with distributed intelligence in which the network is in effect the controller.

In some cases, competitors have established associations or strategic alliances to enhance the popularity of their products. Jetter plans to join IAONA's planned new European forum; Jetter is currently a member of IAONA's U.S. forum which is dedicated to promoting the TCP/IP protocol for industrial automation. Jetter also plans to create a new forum together with other participants, with the intention of developing specific protocols based on TCP/IP and the Ethernet for automation technology networks.

Jetter believes that quality control, financial strength, technical ability, strong customer relationships and a full suite of products are the major criteria for new entrants to achieve success in the control systems market.

If customers do start to move to a single standard, competitors will find it difficult to dislodge that standard. Jetter believes the most likely standard to be adopted is the Internet protocol, TCP/IP, although this debate is not yet resolved within the industrial automation market. If this standard were adopted, Jetter would have a time advantage over many of its competitors as its JetWeb products are already being designed to this standard.

Manufacturing

Jetter's strategy is to outsource most of its production to a small number of third parties, where it is more cost effective. For this reason Jetter's assembly workforce is only about half the size of its testing workforce. Jetter tests all products before sale.

Jetter does not have long term manufacturing agreements. However it uses at least three different third party manufacturers and believes it would be able to obtain a similar level of quality and price from other third parties if for any reason one or more of these manufacturers ceased to be available.

Facilities

The Company's headquarters are located in Ludwigsburg in the State of Baden-Württemberg in southern Germany. They consist of approximately 3,000 square meters of office and manufacturing space in four separate buildings. The Company also has a 600 square meter office nearby in Asperg as well as small offices in Lippstadt (Germany), Switzerland, England, Singapore and the Netherlands. All premises are leased and the Jetter Group does not own any real property. Total annual rental costs of the leased premises (not including ancillary costs) are approximately DM 650,000.

The Company has also entered into an agreement to lease a further building of approximately 1,000 square meters from November 1999. This building is adjacent to the Company's current headquarters and is expected to be leased on similar terms.

Employees

The following table shows the average number of employees of Jetter during the fiscal years ended 30 June 1996, 1997 and 1998, the nine month fiscal period ended 31 March 1999 and the three month period ended June 1999, respectively.

	<u>30 June</u>			<u>31 March</u>	<u>30 June</u>
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>1999</u>
Employees	49	59	68	86	93

(unaudited)

The average number of employees in the Jetter Group during the nine month fiscal period ended 31 March 1999 rose to 109 employees (previous period: 91 employees). In the three month period ended 30 June 1999 the Jetter Group employed an average of 114 persons.

During the past five years there have been no strikes or other kinds of stoppage. The Company's management believes that it maintains good relations with its employees.

Investments

In the nine month period ended 31 March 1998, the Company invested DM 2,197,000 including financial investments. The investments made in the fiscal years ended 30 June 1998, 1997 and 1996 came to DM 1,249,000, DM 1,198,000 and DM 860,000 respectively. The following table shows the investments made by Jetter by type of investment (in thousands).

	Fiscal Year Ended 30 June			Nine Month Fiscal Period Ended 31 March 1999	Three Months Ended 30 June 1999 (unaudited)
	1996	1997	1998		
Intangible Assets	DM 31	DM 54	DM 105	DM 471	DM 110
Tangible Assets	817	634	1,026	679	413
Financial Investments	12	510	118	1,047	—
Total	DM 860	DM 1,198	DM 1,249	DM 2,197	DM 523

The investments in intangible and tangible assets were made exclusively in Germany.

Jetter made the following financial investments in its foreign subsidiaries (in thousands).

	Fiscal Year Ended 30 June			Nine Month Fiscal Period Ended 31 March 1999	Three Months Ended 30 June 1999 (unaudited)
	1996	1997	1998		
Jetter Automation Ltd., England	DM 12	—	—	—	—
Jetter (Schweiz) AG, Switzerland	—	—	118	—	—
Jetter Asia Pte. Ltd., Singapore	—	510	—	1,047	—
Total	DM 12	DM 510	DM 118	DM 1,047	—

For the fiscal year ending 31 March 2000, Jetter is planning to invest DM 2,200,000 in tangible assets such as computer hardware and software, other equipment and vehicles.

These investments are planned to be financed by internally generated funds and if necessary by external funds.

Revenues

Jetter's revenues have developed as follows (in thousands).

	Fiscal Year Ended 30 June			Nine Month Fiscal Period Ended 31 March 1999	Three Months Ended 30 June 1999 (unaudited)
	1996	1997	1998		
Revenues	DM 18,052	DM 19,028	DM 23,337	DM 15,765	DM 5,667

Intellectual Property Rights

Except as described in "Risk Factors" under the caption *Limited Protection of Intellectual Property Rights* on pages 17 and 18, Jetter is not dependent on patents, licenses, contracts or new manufacturing processes of third parties which are of material importance to its business or profitability.

GENERAL INFORMATION CONCERNING THE COMPANY

Foundation of the Company and Registration as a Stock Corporation

The Company was originally established as a limited liability company (*Gesellschaft mit beschränkter Haftung*, “GmbH”) under the name of Jetter GmbH on 26 June 1989 by Martin Jetter and Kurt Hauser with a stated share capital of DM 50,000 and registered in the commercial register of the local court of Ludwigsburg under reference HRB 3268.

By shareholders’ resolution dated 13 November 1998, the Company was converted from a GmbH into a stock corporation (*Aktiengesellschaft*, “AG”) and renamed Jetter AG. The founders of Jetter AG were Martin Jetter, Andreas Kraut, Kurt Hauser and ELEX N.V. This was registered in the commercial register of the Company in the local court of Ludwigsburg on 10 February 1999, under reference HRB 5545.

The report on the company formation audit as at 1 February 1999 was issued by Schitag, Ernst & Young, Deutsche Allgemeine Treuhand AG. Wirtschaftsprüfungsgesellschaft, Stuttgart. The formation audit report ends with the opinion that the statements of the founders (including the supplements thereto) of Jetter AG, Ludwigsburg are correct and complete. This is particularly so with respect to the statements concerning the subscription of the shares, contributions in cash and the determination of contributions in kind. The value of the contributions in kind was equal to the nominal value of the shares issued in exchange.

The Company’s statutory seat is in Ludwigsburg.

The objects of the Company are the development, production, sale and use of machines and other automation technology products. The Company may undertake related activities. In particular it may participate in undertakings in its areas of industry and in undertakings related to these areas. The Company may set up subsidiaries at home and abroad. The Company may enter into corporate contracts of any kind and may transfer its operations wholly or partly to associated undertakings. The Company may also combine the management of any company in which it holds an interest under a single management structure, and/or limit its participation to the function of a holding company and the administration of its interest(s).

Capital Structure

The Company had a stated share capital of €1,477,320 before the capital increase for cash contribution in the course of this Offering and of €2,292,320 after such capital increase, divided into an equal number of non-par value Shares. All Shares are fully paid up.

Since the Company’s foundation, its capital structure has developed as follows.

- In 1990, the stated share capital was increased to DM 60,000 against contributions in kind. Each shareholder, Martin Jetter and Kurt Hauser, contributed his partnership interest in Doris Jetter Entwicklungsbüro für Mikroelektronik GbR.
- In 1996, the stated share capital was increased to DM 500,000 by cash contribution.
- By merger agreement dated 25 June 1998, KRAUT Mikroelektronik GmbH, established in 1990, was merged into Jetter GmbH the capital of which was increased by DM 68,200. On 28 December 1998 the merger was registered in the commercial register of the Company, and became effective. Upon registration, the sole shareholder in KRAUT Mikroelektronik GmbH, Mr. Andreas Kraut, became a shareholder in Jetter GmbH with a new share with a nominal value of DM 68,200.
- On 10 February 1999, the Company’s conversion from a GmbH to an AG was registered in the commercial register as noted above, with a stated share capital of DM 568,200 divided into 113,640 non-par value bearer shares.
- On 17 June 1999, the general shareholders’ meeting resolved on a conversion of DM 21,186.77 from capital reserves (*Kapitalrücklagen*) and DM 2,300,000 from revenue reserves (*Andere Gewinnrücklagen*) into stated share capital in combination with a conversion of the stated share

capital into Euro entailing a new stated share capital of €1,477,320 and on a split of the 113,640 shares into 1,477,320 Shares.

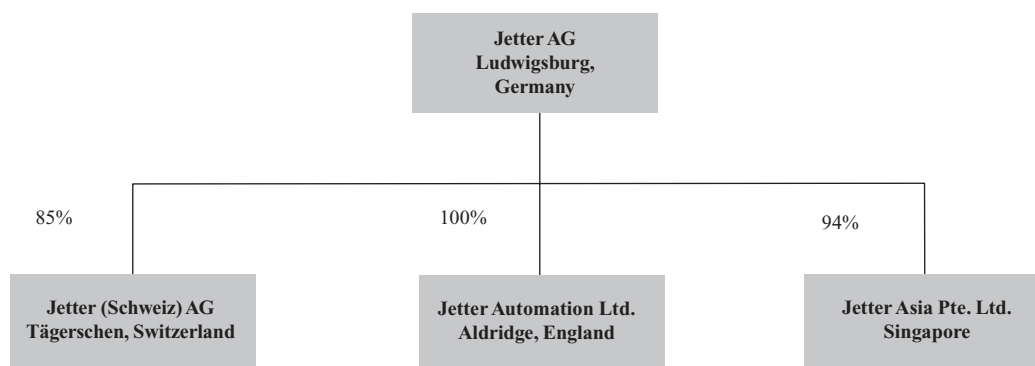
- In the meeting of 17 June 1999, the shareholders also resolved on a capital increase by cash contribution of €815,000, with an exclusion of the shareholders' pre-emptive rights and with an exclusive subscription right for BancBoston Robertson Stephens International Limited on behalf of the Underwriters. The Shares to be issued from this capital increase will be used as New Shares in this Offering. BancBoston Robertson Stephens International Limited subscribed for 815,000 Shares with the obligation to include these Shares, being the New Shares, in the Offering at the Offer Price.
- Simultaneously the general shareholders' meeting of 17 June 1999 authorized the management board, subject to the supervisory board's approval, to increase the share capital on one or more occasions during the period ending 17 June 2004, by issuing new Shares for contributions in cash or in kind (Authorized Capital I) without being subject to pre-emptive rights, such capital increase not, however, to exceed a total of €916,928.
- In the same meeting the shareholders authorized the management board, subject to the supervisory board's approval, to increase the share capital on one or more occasions during the period ending on 17 June 2004, by issuing new Shares for contribution in cash and to exclude the shareholders' pre-emptive rights if the issue price of the new Shares is not significantly below the market price of equivalent shares already quoted on the stock exchange at the time the issue price is fixed (Authorized Capital II). Such capital increase shall not, however, exceed a total of €229,232.
- Further, the general shareholders' meeting of 17 June 1999 resolved to grant the Company the authority to buy back and redeem its own Shares. This grant of authority relates to up to 10% of the total stated share capital i.e. of €229,232 and may be exercised until 17 December 2000.
- In order to allow the employees and management board members of the Company and affiliated companies to participate in any success of the Company (See "Stock Option Plan"), the general shareholders' meeting of 17 June 1999 resolved on the creation of additional capital conditional on the exercise of stock options. Should such stock options be exercised in full, the stated share capital would be increased by €29,000 allowing the issuance of an equal number of Shares. The new Shares are to be entitled to dividends for the fiscal period in which they are created as a result of any exercise of options.
- All resolutions passed in the general shareholders' meeting of 17 June 1999, except for the execution of the capital increase of €815,000 were registered in the commercial register on 28 July 1999. The capital increase of €815,000 was registered in the commercial register on 16 August 1999 and became effective on registration.

Fiscal Period

The Company's fiscal year ran until 30 June for fiscal years up to and including the fiscal year ended on 30 June 1998. The Company then changed its fiscal year to run until 31 March each year. This led to a short, nine month fiscal period from 1 July 1998 to 31 March 1999. In the future the fiscal year will run from 1 April to 31 March of the following year.

Subsidiaries

The Company holds shares in the following subsidiaries, whose primary activity is the application and distribution of Jetter products.



These subsidiaries achieved the following results during their most recent respective fiscal periods.

	Jetter (Schweiz) AG Switzerland		Jetter Automation Ltd. England		Jetter Asia Pte. Ltd. Singapore	
	Swiss Francs	Euro	Pounds Sterling	Euro	Singapore Dollars	Euro
Share Capital	200,000	125,174	10,000	15,032	300,000	161,855
held by Jetter	170,000	106,398	10,000	15,032	282,000	2,143
(%)	(85%)	(85%)	(100%)	(100%)	(94%)	(94%)
held by third parties	30,000	18,776	—	—	18,000	9,711
(%)	(15%)	(15%)	—	—	(6%)	(6%)
Reserves:						
Capital Reserves	—	—	—	—	369,050	199,108
Revenue Reserves	100	63	—	—	1,312,679	708,210
Value of Holding in						
Jetter's Books	96,450	60,365	26,304	39,540	1,552,368	837,526
Total Equity	67,128	42,014	130,819	196,647	1,749,889	944,092
Profit (loss) after Tax	211,928 ⁽¹⁾	132,640 ⁽¹⁾	(59,269) ⁽²⁾	(89,093) ⁽²⁾	(261,778) ⁽²⁾	(141,233) ⁽²⁾
Revenues from the						
Shareholding ⁽³⁾	—	—	—	—	—	—
Liabilities of:						
Jetter to Subsidiaries	—	—	—	—	—	—
Subsidiaries to Jetter	162,862	101,931	70,332	105,723	1,065,217	574,701
Employees as at						
30 June 1999	5		6		10	

⁽¹⁾ 15 months ended 31 March 1999.

⁽²⁾ 12 months ended 31 March 1999.

⁽³⁾ The subsidiaries have not paid dividends to the Company.

The following approximate conversion rates, taken from the consolidated financial statements for the nine month fiscal period ended 31 March 1999, were used in the above table: Euro 1.00 = 1.5978 Swiss francs; 0.6652 pounds sterling; and 1.8535 Singapore dollars.

There are no loans or other liabilities (other than normal trade receivables) between the Company and its subsidiaries, except for a subordinated loan granted by the Company to Jetter (Schweiz) AG in the amount of 160,000 Swiss Francs which is valued in Jetter's books at DM 0.

Voting Rights

Each Share carries one vote. There are no restrictions on such voting rights by law or in the Company's Articles of Association (*Satzung*), although there is a pooling agreement between the members of the Jetter, Hauser and Kraut families in which they agree to exercise voting rights as a bloc.

Pending or Threatened Legal Proceedings

In the period since 30 June 1997, neither the Company nor any of its subsidiaries has been involved or threatened to become involved in any legal or arbitration proceedings of any type which could have had a significant effect on Jetter's financial condition.

Notices, Paying and Depository Agents

Under the Company's Articles of Association, notices by the Company are published in the Federal Gazette (*Bundesanzeiger*). Notices regarding shares are also published in at least one national mandatory publication paper of the Frankfurt Stock Exchange.

Landesbank Baden-Württemberg, Kronenstraße 20, 70173 Stuttgart has been appointed as paying and depository agent. Any measures regarding the Shares may be taken at the offices of the paying and depository agent free of charge for the shareholders. In particular, this includes the payment of dividends at the counters of the paying and depository agent and the deposit of deposit certificates of a bank for participation in the general shareholders' meeting, as well as the exercise of pre-emptive rights.

EXISTING SHAREHOLDERS

The following table sets out the expected shareholdings of the existing shareholders in the Company before and after the share capital increase in cash of €815,000 and the placement of the Offer Shares.

	Shareholding before cash share capital increase and prior to the Offering		Shareholding following the Offering, without Over-allotment Option		Shareholding following the Offering, assuming exercise in full of the Over-allotment Option	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Shareholder:						
Martin Jetter	470,600	31.85	470,600	20.53	470,600	20.53
Andreas Kraut	109,720	7.43	109,720	4.79	109,720	4.79
Total Shareholding of Managing						
Directors	580,320	39.28	580,320	25.32	580,320	25.32
Doris Jetter (née Häußermann)	78,000	5.28	78,000	3.40	78,000	3.40
Katinka Jetter	33,800	2.29	33,800	1.47	33,800	1.47
Lena Sophie Jetter	33,800	2.29	33,800	1.47	33,800	1.47
Theresa Helen Jetter	33,800	2.29	33,800	1.47	33,800	1.47
Kurt Hauser	238,810	16.17	230,873	10.07	162,108	7.07
Renate Hauser (née Jetter)	57,070	3.86	57,070	2.49	57,070	2.49
Simon Hauser	39,780	2.69	39,780	1.74	39,780	1.74
Stephan Hauser	39,780	2.69	39,780	1.74	39,780	1.74
Sebastian Hauser	39,780	2.69	39,780	1.74	39,780	1.74
Henriette Hauser	39,780	2.69	39,780	1.74	39,780	1.74
Hauser GmbH	65,000	4.40	22,000	0.96	22,000	0.96
Susanne Kraut (née Strähle)	16,900	1.14	16,900	0.74	16,900	0.74
Angelika Kraut	16,900	1.14	16,900	0.74	16,900	0.74
Johannes Kraut	16,900	1.14	16,900	0.74	16,900	0.74
Alexander Kraut	16,900	1.14	16,900	0.74	16,900	0.74
Total Shareholding of Family Members .	767,000	51.92	716,063	31.24	647,298	28.24
ELEX N.V.	130,000	8.80	79,063	3.45	10,298	0.45
TOTAL	1,477,320	100.00	1,375,446	60.00	1,237,916	54.00

The members of the Jetter, Hauser and Kraut families have agreed in a pooling agreement amongst themselves on certain pre-emptive rights, that is rights of first refusal on a disposal of Shares, as well as to exercise votes in a bloc.

Following the Offering, 40.00% (46.00% if the Over-allotment Option is exercised in full) of the Shares are expected to be widely held.

MANAGEMENT

Overview

The Company's corporate governance bodies are the management board (*Vorstand*), the supervisory board (*Aufsichtsrat*) and the general shareholders' meeting (*Hauptversammlung*). The powers of these bodies are laid down in the German Stock Corporation Act and the Company's Articles of Association.

Management Board

The current members of the management board of the Company, and their ages at 31 March 1999, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Martin Jetter	42	Chief Executive Officer
Andreas Gatter	33	Chief Financial Officer
Andreas Kraut	43	Chief Technical Officer

Martin Jetter founded the predecessor of the Company in 1980, and since then has worked full time for the Company or its predecessor, specializing in the development, production and marketing of industrial controllers since 1981. Between 1978 and 1980, he worked at Robert Bosch GmbH in the Schwieberdingen development center as a development engineer in the field of vehicle microelectronics. He qualified as an engineer in 1978 following a course of study in electrical engineering and information technology at the Stuttgart Professional Academy.

Andreas Gatter was appointed Chief Financial Officer in 1998 having joined the Company in 1997. Before a two year period of theological training, he worked from 1993 to 1994 at the Deutsche Sparkassenverlag, a publishing house employing 1,000 people, in the computing and controlling department. Prior to this he studied business economics at the Heidenheim Professional Academy with emphasis on industry, receiving his degree in Business Administration (*Diplom-Betriebswirt*) in 1991.

Andreas Kraut was appointed Chief Technical Officer of the Company in 1998 after Jetter GmbH merged with his company KRAUT Mikroelektronik GmbH. He had been managing director and sole shareholder of that company since forming it in 1990. The activities of that company concentrated particularly on the development of display units. For much of his career he has worked for or with the Company and its predecessor, being particularly involved in the development of Process PLC technology including its high-level programming language. He graduated in 1982 with an engineering degree from the University of Stuttgart.

The business address of the members of the management board is the same as the Company's address.

Messrs. Martin Jetter, Andreas Gatter and Andreas Kraut as members of the management board are each authorized to represent the Company individually.

The aggregate remuneration paid by the Company to the above individuals during the nine month fiscal period ended 31 March 1999 was DM 1,670,000 (plus pension accruals of DM 148,000), of which DM 653,000 (plus pension accruals of DM 148,000) related to that fiscal period and the balance of DM 1,017,000 related to the fiscal year ended 30 June 1998. With the exception of customary service agreements, which expire on 30 June 2003, there are no agreements between the members of the management board and the Company.

Members of the management board and their families hold directly and indirectly 884,390 Shares in the Company (after the capital increase in cash resolved on 17 June 1999 and the Offering but before exercise of the Over-allotment Option). They have no substantial shareholdings in other companies.

Martin Jetter and Andreas Gatter are on the boards of each of the three subsidiaries in the Jetter Group, being Jetter (Schweiz) AG, Jetter Automation Ltd. and Jetter Asia Pte. Ltd. No remuneration was paid for these services during the nine month fiscal period ended 31 March 1999.

The Company has rented office space from Andreas Kraut's wife Susanne Kraut at a monthly rent of approximately DM 4,000.

Martin Jetter has given the Company a loan of currently approximately DM 596,000 at 7% interest rate which will be repaid out of the proceeds of the Offering. In addition, Martin Jetter has given sureties in a maximum amount of DM 6,050,000 securing loans granted to the Company by certain banks.

Except as disclosed in this Prospectus, there are no loans, guarantees, sureties or other agreements between members of the management board and any member of the Jetter Group.

Supervisory Board

The supervisory board of the Company consists of six members who are elected by the shareholders at the general shareholders' meeting in accordance with the provisions of the German Stock Corporation Act.

The present members of the supervisory board of the Company were elected by a resolution of the general shareholders' meeting on 17 June 1999. Their names, ages at 31 March 1999, principal occupations and locations are as follows.

<u>Name</u>	<u>Age</u>	<u>Principal occupation</u>	<u>Location</u>
Kurt Hauser (Chairman)	53	Businessman	Ludwigsburg, Germany
Dr. Michael Oltmanns (Deputy Chairman)	42	Attorney at law, Tax Consultant	Frankfurt am Main, Germany
Roland Duchâtelet	52	Engineer	Deurne, Belgium
Harald Fischer	63	Engineer	Darmstadt, Germany
Friedhelm Kernstock	52	Businessman	Stuttgart, Germany
Bijan-Daniel Khezri	29	Investment Banker	London, England

Kurt Hauser is the chairman of the supervisory board. Between 1984 and 1998 he was responsible for business management, finance, administration and personnel in his capacity as managing director. After the Offering the Hauser family will retain a significant share of the Company. Before joining Jetter he gained extensive experience in industrial auditing. In 1975 he graduated from the Pforzheim Polytechnic (*Fachhochschule*) in Business Administration (*Diplom-Betriebswirt*). Before that he completed a commercial apprenticeship, giving him his first exposure to industry.

Dr Michael Oltmanns is the deputy chairman of the supervisory board. He has been a Partner with Menold Herrlinger, a German law firm with offices in Stuttgart, Frankfurt, Dusseldorf, Berlin, Dresden and Munich, since 1992. He specializes in company law, mergers and acquisitions, and capital markets law. He has advised both issuers and managers on several listings. Between 1987 and 1992 he was an in-house lawyer at Schitag Ernst & Young. He read law at Erlangen, Freiburg and Geneva Universities. After his PhD and second state examination he received a Masters of Law from Illinois University.

Roland Duchâtelet is the managing director of several electronic and microelectronic companies. In the course of his professional life he has founded a total of three semiconductor technology companies (among others Melexis NV, listed on EASDAQ). He studied at Louvain University, Belgium.

Harald Fischer has been an engineering consultant since the sale of Eduart Bautz GmbH in 1994 to the American motor and steering producers Pacific Scientific. Previously, as shareholder and managing director of that company, he successfully developed the servomotor technology (*Servoantriebstechnik*) department at Eduart Bautz GmbH. His main involvement was on the technical sales of servo and stepper motors and their respective electronic systems. Between 1962 and 1966 he had a significant involvement in the development of the first track-steering mechanism for machine tools in Germany whilst at Siemens AG in Erlangen. Harold Fischer studied control engineering at Darmstadt Technical University.

Friedhelm Kernstock is the department director of technical affairs at DaimlerChrysler AG. Prior to that he performed a variety of roles as director of sales at DaimlerChrysler AG. He was responsible for

the development of a European high-performance logistics network and also for the operations of five distribution centres in Germany with a total of approximately 1,000 employees. He was, furthermore, the manager of the profit centre of the in-house management consultancy Konzerninterne Unternehmensberatung and also worked in the fields of finance and company audits for many years. He studied economics and business studies and graduated as *Diplom-Kaufmann*.

Bijan-Daniel Khezri has been advising Jetter since October 1998, in preparation for the listing. Since October 1998 he has been a member of the board of directors of the software technology company Baltimore Technologies plc (formerly Zergo Holdings plc), listed on the London stock exchange. He is responsible at Baltimore Technologies plc for global capital markets finance as well as for mergers and acquisitions. Furthermore he advises the Belgian technology holding company ELEX N.V. in matters relating to strategic corporate development and capital markets finance. In July 1999 Bijan-Daniel Khezri was elected to the board of directors of VPNet Technologies Inc., based in San José, California. VPNet Technologies Inc. develops and markets products and services for implementing high performance virtual private network solutions to service providers and enterprises. Prior to September 1998, Mr. Khezri worked for Paribas in London, where he was responsible for numerous global equity offerings in the technology field.

The above members of the supervisory board hold office until the end of the general shareholders' meeting resolving on their discharge for the fiscal year ending 31 March 2004.

The business address of the members of the supervisory board is the same as the Company's address.

Each member of the supervisory board receives a yearly remuneration of DM 10,000. The chairman of the supervisory board receives twice that amount and the deputy chairman one and a half times that amount. The Company reimburses each member of the supervisory board for any travel expenses and value added tax, if any. The aggregate remuneration paid to the supervisory board members for the nine month fiscal period ended 31 March 1999 amounts to approximately DM 35,000.

Kurt Hauser and the Company have entered into a consultancy agreement which began on 1 July 1998 and which was approved by the supervisory board in its meeting of 13 November 1998. In the nine month fiscal period ended 31 March 1999, a total of approximately DM 63,000 was paid by the Company in addition to the reimbursement of certain travel expenses under this agreement. The consultancy agreement will expire with this Offering.

Kurt Hauser has given the Company a loan of currently approximately DM 244,000 at 7% interest rate which will be repaid out of the proceeds of the Offering.

Dr. Michael Oltmanns and the Company have entered into a service agreement relating to legal services which was approved by the supervisory board in its meeting of 13 November 1998.

Bijan-Daniel Khezri and the Company have entered into a consultancy agreement which began on 1 October 1998 relating to this Offering which was approved by the supervisory board in its meeting of 13 November 1998. In the nine month fiscal period ended 31 March 1999, a total of approximately DM 140,000 was paid by the Company in addition to the reimbursement of certain travel expenses under this agreement. The consultancy agreement will expire with this Offering.

Certain members of the supervisory board and their families hold directly and indirectly 548,126 Shares, including the Shares held by ELEX N.V. referred to below (after the capital increase in cash resolved on 17 June 1999 and the Offering but before exercise of the Over-allotment Option).

Bijan-Daniel Khezri has entered into an option agreement with ELEX N.V. giving him the right to acquire 32,500 Shares in the Company from ELEX N.V.

Harald Fischer holds a minority interest of 25% in JENAer Antriebswerke GmbH. JENAer Antriebswerke GmbH has been a customer of the Company for several years.

Roland Duchâtelet has a substantial shareholding in ELEX N.V., Tessengerlo, Belgium, which is a shareholder of Jetter, and in Sigma Delta Holdings N.V., which owns 42.8% in EPIQ N.V., Belgium, a company whose shares are traded on EASDAQ. ELEX N.V. owns approximately 85% of the shares in Melexis N.V.

Except as disclosed in this Prospectus, no supervisory board member has substantial shareholdings in any other company.

Except as disclosed in this Prospectus, there are no loans, guarantees, sureties or other agreements between members of the supervisory board and any member of the Jetter Group.

General Shareholders' Meeting

At least one general shareholders' meeting must be held annually within the first eight months of every fiscal year and must be held at the statutory seat of the Company (Ludwigsburg) or at the location of a German stock exchange on which the Company is listed. Each Share confers the right to one vote at the general shareholders' meeting.

Unless otherwise required by the Company's Articles of Association or the German Stock Corporation Act, shareholders' resolutions are passed by a simple majority of the votes cast or, if a majority of capital is required, a simple majority of the share capital represented. Major corporate events such as mergers, the creation of authorized capital (*genehmigtes Kapital*) or conditional capital (*bedingtes Kapital*) or the conclusion of inter-company agreements (*Unternehmensverträge*) require the vote of three quarters of the share capital represented at the meeting.

Stock Option Plan

The Company has implemented a stock option plan for members of the management board and the employees of the Company and its affiliated companies. This plan is intended to provide the people responsible for the further development of the Company with the motivation to ensure the success of the Company and "shareholder value" for the shareholders.

The management board was authorized by virtue of a resolution adopted in the shareholders' meeting held on 17 June 1999 to issue to the beneficiaries options on one or more occasions until 16 June 2009 for up to 29,000 of the Company's Shares representing €29,000 in total of the stated share capital, subject to the supervisory board's prior approval. In order to cover the Company's liabilities resulting from options issued, a conditional share capital equal to the aforementioned amount was created, which was recorded in the commercial register on 28 July 1999. The subscription ratio is 1:1, i.e. each option issued will create a right to subscribe for one Share.

The options may be offered to:

- group 1: members of the Company's management board,
- group 2: heads of department and group leaders of the Company, members of the management of affiliated companies,
- group 3: employees of the Company and affiliated companies with higher income,
- group 4: all other employees of the Company and affiliated companies.

The total of 29,000 options may be issued as follows:

- group 1: up to 8%,
- group 2: up to 28%,
- group 3: up to 49%,
- group 4: up to 15%.

The first tranche of 26,160 options was issued in June 1999.

Further options may be offered to and acquired by the entitled parties within any six week period following the Company's ordinary shareholders' meeting or publication of the semi-annual report (granting periods). Except in the case of inheritance, the options cannot be transferred or pledged. The term of such options shall be six years. First exercise of the options is possible three years after issue. At the time of the first exercise of the options, 40% of the options awarded may be exercised, 70% after an additional year, and 100% two years following the initial opportunity to exercise the options. The terms and conditions of the options may provide that all or part of the options may only be

exercised after a longer period of time. Following the expiry of the above-mentioned qualifying periods, the options may only be exercised twice a year within a period of 15 days on which the Frankfurt Stock Exchange is open beginning with the publication of the first and third quarterly reports (exercise periods).

The exercise price (strike price) payable to the Company following exercise of an option by the beneficiaries corresponds to the Offer Price in the case of the initially granted option rights. In the case of options issued subsequently such strike price corresponds to the arithmetic average of the closing prices of the Jetter Shares on the Frankfurt Stock Exchange determined on the last five days prior to the management board's adoption (or the supervisory board's adoption for options granted to the management board) of the resolution concerning the grant of option rights. In the event of dilution, the strike price shall be decreased accordingly. The strike price shall in no event fall below the nominal value of the stated share capital represented by one Share.

Should a beneficiary cease serving or working for the Company or its affiliated companies, the option rights will lapse except in cases of death, disability and retirement. The same shall apply to the extent the option rights are not exercised within six years.

Subject to the consent of the supervisory board, the management board (and, with regard to options for the management board, the supervisory board) will determine the criteria for distribution of the options among the persons belonging to respective groups as well as the other terms and conditions thereof.

Declaration of Dividends

Dividends are declared at the annual general shareholders' meeting. Under German law, dividends may be declared and paid only from balance sheet profits (*Bilanzgewinn*) as shown in the unconsolidated annual financial statements of the Company in accordance with German accounting standards (not from the consolidated profits of the Jetter Group). After proposal by the management board and review by the supervisory board, the ordinary general shareholders' meeting approves the appropriation of profits, which includes the amount to be distributed as dividends and the amounts to be transferred to revenue reserves (*andere Gewinnrücklagen*) or carried forward to the next fiscal year. In accordance with the German Stock Corporation Act, the management board and the supervisory board may in their discretion allocate up to half of the Company's annual net profits (*Jahresüberschuss*) in any fiscal year to revenue reserves, in which case such profit would be unavailable for distribution with respect to that fiscal year. The Articles of Association of the Company authorize the management board and the supervisory board to attribute a larger portion of the annual net profits to revenue reserves until they reach 50% of the stated share capital (*Grundkapital*) of the Company. Shareholders generally participate in distributions in proportion to the number of their Shares, except when otherwise provided.

Payment of Dividends

Dividends approved at the annual general shareholders' meeting are payable promptly after such meeting (unless otherwise decided at the meeting). Shareholders holding Shares through Deutsche Börse Clearing AG, Euroclear or Cedelbank receive dividends by credit to their respective accounts.

Liquidation

Except in the event of insolvency, the Company may be wound up by resolution of the shareholders' meeting requiring the votes of three quarters of the share capital represented. Any assets of the Company remaining once the liabilities have been met (liquidation surplus) shall, in case of such a resolution, be distributed amongst the shareholders in proportion to their Shares.

NEUER MARKT

Introduction

The Neuer Markt segment of the Frankfurt Stock Exchange is a new trading segment that was launched in March 1997. It is designed for “innovative”, small to mid-size companies in high growth industries or in traditional industries that have an international orientation and that are willing to provide active investor relations. Issuers are required to provide investors on an ongoing basis with information such as annual and quarterly reports (including cash flow statements) and a corporate action timetable. This information is required to be submitted in English and German as well as in electronic form, thus enabling the Frankfurt Stock Exchange to disseminate corporate information via the Internet.

Trading on the Neuer Markt

Trading of shares listed on the Neuer Markt segment of the Frankfurt Stock Exchange takes place on the floor of the stock exchange, but is computer-aided. Markets in listed securities are generally of the auction type, but listed securities also change hands in inter-bank dealer markets off the Frankfurt Stock Exchange. Price formation is determined by open bid by state-appointed specialists (*Freimakler*) who do not, as a rule, deal with the public. Prices of currently traded securities are displayed continuously during trading hours. At the half-way point of each trading day, a single standard quotation is determined for all shares.

The members' association of the Frankfurt Stock Exchange publishes a daily list of prices which contains the standard prices of all traded securities, as well as their highest and lowest quotations during the past year.

Shares traded on the Neuer Markt are also traded on a computerized system called Xetra. Trading takes place on every business day between 8:30 am and 5:00 pm, Frankfurt time. Trading within the Xetra system is done by banks and securities dealers who have been admitted to trading on at least one of Germany's stock exchanges. Xetra is integrated into the Frankfurt Stock Exchange and is subject to its rules and regulations.

Transactions on the Frankfurt Stock Exchange (including transactions within the Xetra system) are settled on the second business day following trading. Transactions off the Frankfurt Stock Exchange (for large volumes or if one of the parties is foreign) are generally also settled on the second business day following trading, unless the parties have agreed upon a different date. Following a recent amendment to the conditions of German banks for securities trading (*Sonderbedingungen für Wertpapiergeschäfte*), customers' orders to buy or sell listed securities must be executed on a stock exchange, unless the customer instructs otherwise. Trading can be suspended by the Frankfurt Stock Exchange if orderly stock exchange trading is temporarily endangered or if a suspension is in the public interest.

A specific feature of the Neuer Markt is the introduction of the obligatory designated sponsor, i.e. a bank admitted for trading at the Frankfurt Stock Exchange which provides additional liquidity by quoting prices (through Xetra) for the buying and selling of shares on request. Each issuer on the Neuer Markt has to nominate at least two designated sponsors which will not only ensure that there is sufficient liquidity for its shares, but also serve as consultants on all stock market related matters for the issuer. In floor trading, such designated sponsors are no longer obligatory. The Underwriters have agreed to act as designated sponsors for the Company. Neuer Markt equity listings are admitted to electronic trading through Xetra.

Trading on German stock exchanges is regulated by, among others, the Federal Supervisory Office for Securities Trading (*Bundesaufsichtsamt für den Wertpapierhandel*).

Applications have been made to admit the Shares on the Regulated Market (*Geregelter Markt*) in Germany with commencement of trading on the Neuer Markt segment of the Frankfurt Stock Exchange. It is expected that trading in the Shares on the Neuer Markt under the symbol “JTT” is expected to commence on 19 August 1999.

TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following describes certain German Tax regulations. This does not claim to show all information which might be necessary in making the decision to purchase the Offer Shares. It is based on tax regulations applicable in Germany at the time of printing of this Prospectus. These may be subject to alterations—in some cases with retroactive effect. This representation refers exclusively to dividend taxation, withholding tax, inheritance and gift tax and net assets tax and furthermore does not deal with every aspect of these forms of taxation. This representation does not deal with the specific fiscal circumstances of an individual. Potential buyers of Shares are therefore recommended to consult their tax advisor, due to the specific implications of the acquisition, holding and transfer of shares.

Taxation of Profits of Corporations

Stock corporations resident in Germany are subject, with their taxable income, to trade and corporate tax, whereby the trade tax is, since 1998, no longer levied on the capital but only on the profits. When calculating income subject to corporate tax, trade tax is deductible as business expenses.

The trade tax base is determined by the trade profits in terms of Section 7 Trading Tax Law (*Gewerbesteuer*gesetz, “GewStG”). The trade profits, in turn, are determined by the profit calculated according to the Corporation Tax Act (*Körperschaftsteuer*gesetz, “KStG”), subject to certain add-backs and reductions. The amount of trade tax is given by applying a percentage rate to the trade profit. The percentage rate depends on the amount of the tax rates fixed by the municipal authorities for their districts. If a stock corporation has permanent establishments in various districts the tax rates applicable in each case determine the total trade tax burden on the stock corporation. As a result, the effective burden of the trade tax generally lies between 13% and 20% of net income.

The taxable income of the corporation subject to corporate tax is based on the commercial balance result subject to specific modifications set forth in the Income Tax Act (*Einkommensteuer*gesetz, “EStG”) and Corporation Tax Act. According to Section 23 (1) Corporation Tax Act, the general tax rate applicable to corporations amounts to 40% of the taxable income. The final corporation tax burden may be increased or decreased by distributing profits in accordance with Section 27 (1) 40 KStG. The decreases or increases are to ensure that distributions are always subject to 30% corporation tax. Exceptions to this are tax free income of the corporation from abroad and capital contributions by the shareholders to the capital reserve. A solidarity surcharge of 5.5% is levied on the assessed corporation tax amount, as non-deductible business expenses. Considering that the solidarity surcharge is not tax deductible, the effective tax burden of the profit after trade tax by corporation tax and solidarity surcharge is calculated at 31.9% in the case of full payout.

The German Government is at present discussing a basic reform of taxation of corporations. This could mean the combination of trade and corporation tax into one uniform company tax and the abolition of the present corporate imputation tax system.

Taxation of Dividends

Shareholders with Registered Office, Residence or Habitual Abode in Germany

A dividend distributed to an individual holding shares as non-business assets is subject to German income tax, including solidarity surcharge and church tax if applicable. The dividend is also subject to withholding tax at a rate of 25% of the cash dividend (i.e. the profit distribution concluded by the general meeting which is equal to the gross dividend less corporate tax and the related solidarity surcharge) plus 5.5% solidarity surcharge (in total 26.4% of the cash dividend) provided the dividend does not qualify as a repayment of a prior contribution made by shareholders.

The income from capital assets (gross dividend) for shareholders consists of (i) the actual net amount accruing (net dividend) plus (ii) the withholding tax of 25% of the cash dividend plus 5.5% solidarity surcharge (totaling 26.4% of the cash dividend) withheld by the corporation and (iii) the corporation tax amount on profit distributions paid by the corporation (corresponding to corporation tax credit). The shareholder receives an underlying tax credit with regard to the withholding tax (plus solidarity surcharge) and with regard to the corporation tax paid by the corporation (however, not including the solidarity surcharge on the corporate tax as a result of the so-called “Shadow Charge” (*Schattenbelastung*)). The idea of the German imputation system of corporation taxation, which is to a

large extent unknown internationally, is to avoid double charging on the company and shareholder level as well as the taxation of dividends according to the personal circumstances of the shareholder who is liable without limit to pay tax. The tax base for the determination of the solidarity surcharge of the shareholder is decreased by the underlying corporation tax credit.

In 1999 individuals receive a saver allowance of DM 6,000 (for married couples who file a joint income tax return, DM 12,000). As of the period of assessment in the year 2000 the saver allowance will be lowered to DM 3,000 (for married couples filing a joint income tax return, to DM 6,000). Alongside this a professional expenses lump sum of DM 100 (for married couples filing a joint income tax return, DM 200) is granted, as long as no other higher expenditures are proven.

If the shares are held as business assets, the above principles regarding income determination and withholding tax apply as appropriate. Furthermore, the gross dividend is subject to trade tax, unless the taxpayer held from the beginning of the respective fiscal year 10% or more of the shares in the corporation. With regard to sole traders and partnerships, the gross dividend is included in the assessment of profit from trade at the level of the partnership which, in turn, is subsequently allocated to the partners and taxed at their level. If the shareholder itself is a corporation, the gross dividend is subject to corporation tax at the level of the shareholder.

Shareholders with Registered Office or Residence Outside Germany

In Germany, shareholders not subject to German tax assessment are not granted an underlying tax credit with regard to the corporate tax paid at the level of the corporation. Hence, the German corporate tax applicable to profit distributions is not recoverable.

A dividend distribution by a stock corporation to a shareholder not resident in Germany is also subject to withholding tax of 25% plus 5.5% solidarity surcharge (totaling 26.4% of the cash dividend) unless EU-Directive No. 90/435/EWG of the Council of 23 July 1990 (the so-called Parent-Subsidiary-Directive) or a double taxation treaty applies.

Upon application, if the prerequisites of the Parent-Subsidiary-Directive are met, withholding tax (including solidarity surcharge) for dividend distributions will not be withheld or will be reimbursed. Preconditions for this privilege are in particular that the parent corporation is resident in another member state of the European Union and holds at least one quarter (in particular cases one tenth) of the shares in the German subsidiary for an uninterrupted period of at least twelve months.

If a double taxation treaty applies, the withholding tax on a dividend distribution from a corporation resident in Germany to a shareholder not resident in Germany may possibly be reduced. This requires an application under the double taxation treaty of the shareholder or his authorized representative to the Federal Fiscal Authority to release or reimburse that amount by which the withholding tax normally deductible or deducted (of 26.4% of the cash dividend) exceeds the maximum withholding tax permissible according to the double taxation treaty. A possible reduction of the taxation at source through the double taxation treaty also extends to the solidarity surcharge.

If the shares are held as business assets of a German entrepreneur or within a German permanent establishment of a foreign entrepreneur the tax credit system described above applies. The corporation tax, withholding tax and the solidarity surcharge on the withholding tax levied on the level of the corporation distributing the dividend will be credited or refunded within the tax assessment.

A dividend received from a German corporation and distributed on to a foreign shareholder is subject to the general conditions described above.

Taxation of Capital Gains

Profit from the sale of shares held by an individual is only subject to income taxation if (i) the shares are purchased and disposed of within one year or after this period or (ii) the shareholder held within the last five years directly or indirectly 10% or more of the shares in the corporation or (iii) the shares are part of a German trade or business or (iv) were granted in return for a tax free contribution in kind (so-called *einbringungsgeborene Aktien*).

Capital gains deriving from the sale of shares held as German business assets are subject (apart from certain exceptions) to trade tax. In addition, such capital gains are subject to income or corporate tax and solidarity surcharge in accordance with the general principles.

Capital gains from the sale of shares derived by a shareholder not subject to German unlimited taxation are taxed in Germany (i) if the shares were held in a permanent establishment or (ii) if the shareholder directly or indirectly held 10% or more of the shares during the last five years or (iii) in the case of shares resulting from a tax free contribution in kind or (iv) in the case of extended limited tax liability in accordance with Section 2 Foreign Tax Act (*Außensteuergesetz*). Under a double taxation treaty the capital gain may be tax exempt in Germany.

Losses suffered by a German resident individual from the purchase and sale of shares within one year may be set-off against capital gains deriving from private taxable sales proceedings (*Private Veräußerungsgeschäfte*) in the same calendar year. They must not be set-off against profits from other sources. Non-settled losses reduce the capital gains of the previous calendar year or may be carried forward and set-off against future capital gains.

Inheritance and Gift Tax

Transfers of shares due to death or as a gift are subject to inheritance or gift tax if the testator, donor or the acquirer is a national in the sense of Section 2 (1) Inheritance Tax Law (*Erbchaftsteuergesetz*, “ErbStG”). They are otherwise only subject to taxation if (i) the shares are part of a German trade or business or a permanent establishment maintained in Germany or (ii) the shareholder, alone or jointly with affiliated persons, directly or indirectly holds 10% or more of the shares in the corporation or (iii) the prerequisites for extended limited tax liability in accordance with Section 4 Foreign Tax Act are met.

The aforementioned taxation may be limited to the area of inheritance and gift tax, due to one of the few double taxation treaties concluded.

Wealth Tax

On account of a resolution by the Federal Constitutional Court of 22 June 1995, wealth tax will no longer be levied for assessment periods as from 1 January 1997.

Other Taxes In Germany

The sale or transfer of shares is not subject to any stock exchange market tax, company tax, stamp duty or similar tax. Transfer or unification of 100% of the shares in the year 1999 (or at least 95% as from the year 2000) may incur real estate transfer tax if the stock corporation or direct or indirect subsidiaries of the stock corporation own real estate in Germany.

AUDITORS

The auditors of the Company since the fiscal year ended 30 June 1996 are Schitag Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Mittlerer Pfad 15, Stuttgart (“Schitag Ernst & Young”). Schitag Ernst & Young audited the unconsolidated financial statements (HGB) of the Company for the fiscal years ended 30 June 1996, 1997 and 1998 and the nine month fiscal period ended 31 March 1999 and the consolidated financial statements of the Jetter Group for the fiscal year ended 30 June 1998 (HGB) and the nine month fiscal period ended 31 March 1999 (IAS), each time providing an unqualified auditors’ opinion. The consolidated financial statements (HGB) for the fiscal year ended 30 June 1998 were converted into IAS statements.

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FINANCIAL STATEMENTS

Table of Contents

	<u>Page</u>
IAS Information	F-2
Independent Auditors' Report	F-2
Consolidated Profit and Loss Statement	F-3
Consolidated Balance Sheet	F-4
Consolidated Cash Flow Statement	F-5
Explanatory Notes	F-6
Basis of Presentation	F-6
General Principles	F-6
Profit and Loss Statement	F-7
Balance Sheet	F-7
Cash Flow Statement	F-12
Consolidated Management Report	F-13
Shareholders' Equity	F-15
HGB Information	F-16
Audit Opinions	F-16
Jetter AG Profit and Loss Statement	F-17
Jetter AG Balance Sheet	F-18
Jetter AG Cash Flow Statement	F-20
Explanatory Notes	F-21
General	F-21
Accounting and Valuation Principles	F-21
Balance Sheet	F-22
Profit and Loss	F-23
Other Information	F-24
Management Report	F-25
Appendix 1: Schedule of Gross Capital Investment	F-26
Appendix 2: Schedule of Liabilities	F-26
Summary of Differences between HGB and IAS	F-27

IAS INFORMATION

Independent Auditors' Report

The following consolidated balance sheet and statement of shareholders' equity as at 31 March 1999 and consolidated profit and loss statement, cash flow statement and consolidated management report for the nine month fiscal period ended 31 March 1999 which were prepared for inclusion in the Prospectus are in all material respects the same as the consolidated financial statements of the Jetter Group, Ludwigsburg, as at 31 March 1999 on which we issued an unqualified auditors' opinion.

In the course of performing that audit we also confirmed that the following IAS financial information as at 30 June 1998 was correctly transformed into IAS from the HGB consolidated financial statements of Jetter GmbH, Ludwigsburg, as at 30 June 1998, on which we issued an unqualified audit opinion, and that that IAS financial information presents a true and fair view of the assets, liabilities, earnings and financial position of the Jetter Group at that date.

We issued the following auditors' opinion on the complete consolidated financial statements including the consolidated management report as at 31 March 1999 which we audited:

We audited the consolidated financial statements of Jetter AG, Ludwigsburg, for the fiscal year ended 31 March 1999. The consolidated financial statements include the documents required by the standards of the International Accounting Standards Committee (IASC). The Company's financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion, based on our audit, as to whether the consolidated financial statements comply with the International Accounting Standards.

We conducted our audit in accordance with the generally accepted auditing standards in Germany and the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit in a way that will allow us to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

No objections were raised in our audit. In our opinion, with due regard to the International Accounting Standards (IAS) the consolidated financial statements fairly present a true and fair view of the Group's net worth, its financial position and the results of its operations and is a fair representation of its cash flow for the financial year. The Group management report provides an accurate overview of the Group's position.

Stuttgart, 16 June 1999

Schitag Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

Ossig
Wirtschaftsprüfer
(Certified Auditor)

Wittmann
Wirtschaftsprüfer
(Certified Auditor)

JETTER GROUP
CONSOLIDATED PROFIT AND LOSS STATEMENT
FOR FISCAL YEAR ENDED 30 JUNE 1998, NINE MONTH FISCAL PERIOD
ENDED 31 MARCH 1999 AND THREE MONTHS ENDED 30 JUNE 1999
(ACCORDING TO IAS)
(in thousands)

	Fiscal Year Ended 30 June 1998	Nine Month Fiscal Period Ended 31 March 1999	Three Months Ended 30 June 1999 (unaudited)
Revenues	DM 28,515	DM 17,836	DM 7,195
Increase (Decrease) in Finished and Unfinished Goods and Work in Progress . . .	467	(550)	(32)
Own Work Capitalized	95	98	105
Total Output	DM 29,077	DM 17,384	DM 7,268
Other Operating Income	479	746	269
	DM 29,556	DM 18,130	DM 7,537
Cost of Materials			
Cost of Raw Materials, Supplies, and Purchased Merchandise	(9,010)	(5,439)	(2,491)
Cost of Purchased Services	(484)	(285)	(92)
Personnel Costs			
Wages and Salaries	(9,059)	(6,667)	(2,553)
Social Security and Pension Costs ⁽¹⁾	(1,332)	(1,374)	(579)
Depreciation and Amortization on Intangible Assets and Tangible Fixed Assets	(969)	(993)	(371)
Other Operating Expenses	(4,764)	(4,711)	(2,312)
Operating Expenses	DM (25,618)	DM (19,469)	DM (8,398)
Operating Income	DM 3,938	DM (1,340)	DM (861)
Interest and Similar Income	27	58	16
Interest and Similar Expenses	(151)	(129)	(86)
Profit (Loss) Before Tax	DM 3,814	DM (1,411)	DM (931)
Income Taxes	(1,449)	471	(96)
Other Taxes	(4)	(5)	(2)
Net Profit (Loss)	DM 2,361	DM (945)	DM (1,029)
Profit Carried Forward	1,175	2,191	1,821
Minority Interest in the Net Loss (Profit)	(236)	24	(12)
Allocation from Revenue Reserves	—	551	—
Allocation to Revenue Reserves	(1,109)	—	(1,777)
Retained Earnings	DM 2,191	DM 1,821	DM (997)
Earnings per share	N/A⁽²⁾	DM (8.10)⁽³⁾	DM (9.15)⁽⁴⁾

⁽¹⁾ Of which pension costs were DM 142,000, DM 344,000 and DM 146,000 respectively.

⁽²⁾ Jetter was a GmbH for the whole of this period and per share information is therefore inapplicable.

⁽³⁾ Based on the net loss for the Jetter Group, after deduction of minority interests, and on the 113,640 shares in Jetter registered in the commercial register at 31 March 1999. Based on the 2,292,320 Shares in issue following the Offering, the pro forma loss per Share for the nine month fiscal period ended 31 March 1999 would have been DM 0.40.

⁽⁴⁾ Based on the net loss for the Jetter Group, after deduction of minority interests, and on the 113,640 shares in Jetter registered in the commercial register at 30 June 1999. Based on the 2,292,320 Shares in issue following the Offering, the pro forma loss per Share for the three months ended 30 June 1999 would have been DM 0.45.

JETTER GROUP
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 1998, 31 MARCH 1999 AND 30 JUNE 1999
(ACCORDING TO IAS)
(in thousands)

	<u>30 June 1998</u>	<u>31 March 1999</u>	<u>30 June 1999</u> (unaudited)
ASSETS			
Software	121	433	441
Goodwill	75	201	186
Intangible Assets	DM 196	DM 634	DM 627
Leasehold Improvements	296	312	304
Other Furniture and Equipment	1,280	1,264	1,480
Construction under Progress	—	92	42
Tangible Assets	DM 1,576	DM 1,668	DM 1,826
Non-Current Assets	DM 1,772	DM 2,302	DM 2,453
Raw Material and Supplies	2,698	2,890	2,714
Unfinished Goods and Work in Progress	1,284	1,081	1,126
Finished Goods and Trade Merchandise	1,660	1,384	1,356
Inventory	DM 5,642	DM 5,355	DM 5,196
Trade Receivables	4,489	3,742	5,692
Other Assets	581	1,307	1,237
Trade Receivables and Other Assets	DM 5,070	DM 5,049	DM 6,929
Cash and Cash Equivalents	1,628	1,316	1,123
Current Assets	DM 12,340	DM 11,720	DM 13,248
Prepaid Expenses	99	238	244
Deferred Taxes	306	438	422
TOTAL ASSETS	DM 14,517	DM 14,698	DM 16,367
EQUITY AND LIABILITIES			
Share Capital	500	568	568
Capital Reserves	—	168	168
Revenue Reserves	1,469	1,010	2,862
Retained Earnings	2,191	1,821	(997)
Minority Interest	1,028	121	139
Equity	DM 5,188	DM 3,688	DM 2,740
Pension Accruals	1,145	1,555	1,594
Tax Accruals and Deferred Taxes	1,124	1,354	1,321
Other Accruals	3,457	1,705	1,909
Accruals	DM 5,726	DM 4,614	DM 4,824
Liabilities to Banks	631	3,602	5,468
Advance Payments Received on Orders	0	297	295
Trade Payables	864	583	1,216
Liabilities to Shareholders	1,249	1,101	869
Other Liabilities	859	813	955
Liabilities	DM 3,603	DM 6,396	DM 8,803
TOTAL EQUITY AND LIABILITIES	DM 14,517	DM 14,698	DM 16,367

JETTER GROUP
CONSOLIDATED CASH FLOW STATEMENT FOR THE
NINE MONTH FISCAL PERIOD ENDED 31 MARCH 1999
AND THREE MONTHS ENDED 30 JUNE 1999
(ACCORDING TO IAS)
(in thousands)

	Nine Month Fiscal Period Ended 31 March 1999	Three Months Ended 30 June 1999
		(unaudited)
Net Profit (Loss) for the Period	DM (945)	DM (1,029)
Depreciation (Appreciation) on Fixed Assets	995	371
Increase in Pension Accruals (without Merger of KRAUT)	257	38
Cash Flow(1)	DM 307	DM (620)
Other Non-Cash Earnings and Expenditures	(206)	(36)
Loss (Profit) from Disposal of Fixed Assets	15	(3)
Changes in Inventory, Trade Receivables and Other Assets	(55)	(1,704)
Changes in Trade Payables and other Liabilities . . .	(1,014)	1,028
Net Outflow from Ongoing Business Activities(2) . . .	DM (953)	DM (1,335)
Payments in Investments in Fixed Assets (including Merger of KRAUT)	(1,536)	(510)
Outflow of Funds for Investment Activities(3)	DM (1,536)	DM (510)
(Decrease) Increase of Minority Interest	(882)	17
Capital Increases (Merger of KRAUT)	236	—
Payments for Liabilities to Shareholders	(148)	(232)
Repayments of Loans	(268)	(3)
Outflow of Funds from Financing Activities(4)	DM (1,062)	DM (218)
Changes in Existing Financing Funds (2+3+4)		
Affecting Payments	DM (3,551)	DM (2,063)
Existing Financing Funds at the Beginning of the Period	DM 1,272	DM (2,279)
Existing Financing Funds at the End of the Period . .	DM (2,279)	DM (4,342)

Interest income and interest expenses are equal to interest paid and received.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH FISCAL PERIOD ENDED 31 MARCH 1999

Basis of Presentation

The Jetter Group and the Consolidated Companies

Jetter, the parent company, is headquartered in Ludwigsburg, Germany. It is a manufacturer of Process PLCs, which are used in highly complex manufacturing processes in the semiconductor, automotive and mechanical engineering industries. The past fiscal period only covered nine months and ran from 1 July 1998 to 31 March 1999. In the future the fiscal year will run from 1 April to 31 March of the following year.

Jetter holds 100% of the shares in its subsidiary Jetter Automation Ltd., Aldridge, West Midlands, England, 94% of the shares in Jetter Asia Pte. Ltd., Singapore and 85% of the shares in Jetter (Schweiz) AG Tägerschen, Switzerland. The subsidiaries purchase Process PLCs from Jetter and market them in their respective local markets being Great Britain, Switzerland and Asia. They also provide necessary services to customers.

All of the subsidiaries meet the requirements pursuant to IAS 27.11. They are, therefore, included in the consolidated financial statements.

General Principles

Principles and Methods

The accompanying consolidated financial statements of Jetter have been prepared in accordance with International Accounting Standards ("IAS"). In accordance with German law, the Company is required to publish its financial statements in accordance with the German Commercial Code ("HGB"). The HGB requirements vary in certain significant respects from IAS. Accordingly, the Company has recorded certain adjustments in order to present the accompanying consolidated financial statements in accordance with IAS. No adjustments were made in case of immaterial differences.

Material differences from the financial statements prepared according to the HGB include pension accruals, write-downs of raw materials, the classification and depreciation of goodwill and the posting of corresponding deferred taxes.

The capital consolidation was made using the purchase method on the basis of the values at the time the shares were purchased. According to IAS 22 the goodwill resulting therefrom was not settled with the revenue reserves but recorded as intangible asset and amortized.

Income and expenses as well as receivables and payables between Jetter Group companies were eliminated. Intercompany gains based on sales of assets were also eliminated.

Currency Translation

The annual financial statements of the foreign group companies were translated from Singapore dollar, pound sterling and Swiss franc to Deutsche Mark in conformity with IAS 21 pursuant to the concept of the functional currency. According to this concept the closing date method was used, because the subsidiaries are operationally independent. The balance sheets were translated at the median rate on the closing date. The profit and loss statement was translated at the average rate for the period. The exchange rate differences were offset against the revenue reserves. Incoming and outgoing invoices and incoming and outgoing payments during the fiscal period were translated at the spot rate on the booking date. Foreign currency receivables and payables in the balance sheet were translated at the spot rate on the closing date.

The following translation differences were taken in with an effect on operating income (in thousands):

	<u>Fiscal Year Ended 30 June 1998</u>	<u>Nine Month Fiscal Period Ended 31 March 1999</u>
Foreign Exchange Gains	DM 59	DM 14
Foreign Exchange Losses	DM 219	DM 140

Profit and Loss Statement

Methodology

The structure of the profit and loss statement is based on the cost summary method. There were no extraordinary items. The tax expense shown thus corresponds to the tax expense for ordinary business activities and deferred taxes.

Revenues

The revenues of DM 17,836,000 within the nine month fiscal period ended 31 March 1999 (previous fiscal year: DM 28,515,000) were distributed among Germany with DM 10,964,000 or 61.5% (previous fiscal year: DM 13,503,000 or 47.4%), other European countries with DM 3,613,000 or 20.2% (previous fiscal year: DM 5,307,000 or 18.6%), Asia with DM 2,591,000 or 14.5% (previous fiscal year: DM 8,516,000 or 29.9%), the United States with DM 633,000 or 3.6% (previous fiscal year: DM 1,173,000 or 4.1%) and other countries with DM 35,000 or 0.2% (previous fiscal year: DM 16,000 or 0.1%). There were no differences between HGB and IAS.

Other Income

The other income amounting to DM 745,000 (previous fiscal year: DM 479,000) mainly included reversals of other accruals DM 255,000 (previous fiscal year: DM 6,000), subsidies for development costs (JetWeb Project) DM 184,000 (previous fiscal year: DM 128,000), appreciations in fixed assets due to a tax audit DM 63,000 (previous fiscal period: DM 0) and foreign exchange gains DM 14,000 (previous fiscal year: DM 59,000).

Public Subsidies

Jetter receives public subsidies from the *Arbeitsgemeinschaft industrieller Forschungsvereinigungen Otto von Guericke e.V. (AiF)* as part of the JetWeb Project. The goal of the subsidized project is to aim for a shift in the paradigms in the automation technology and, as a result, to reduce software and application costs on the client side and at the same time increase system performance. The project is scheduled for nearly 2.5 calendar years beginning in April 1997 and will be subsidized with a total of DM 438,000 during this period. The subsidies are recorded in the operating result in the period in which they are granted. In the nine month fiscal period ended 31 March 1999, an amount of DM 184,000 (previous fiscal year: DM 128,000) was included in other income.

Notes to the Balance Sheet

Intangible Assets

Intangible assets include acquired software and goodwill from the consolidation of the subsidiaries.

Software is valued at its acquisition cost and depreciated using the straight line method over its estimated life which ranges from two to four years.

Software developed as follows (in thousands):

Gross Value as at 30 June 1998	DM 369
Accumulated Depreciation as at 30 June 1998	248
Net Book Value as at 30 June 1998	121
Currency Differences	1
Additions	472
Transfers	14
Gross Value as at 31 March 1999	856
Accumulated Depreciation as at 31 March 1999	423
Net Book Value as at 31 March 1999	DM 433

The goodwill results from the consolidation of the purchased shares of the subsidiaries in accordance with the purchase method. This includes the purchase of 15% shares of Jetter (Schweiz) AG in 1998 (DM 15,000), the purchase of 12% shares of Jetter Asia Pte. Ltd. in 1997 (DM 105,000) and of 42% shares of the same company in 1999 (DM 169,000). According to IAS 22 this goodwill is being amortized over five years using the straight-line method. The net book value as at 31 March 1999 in goodwill arises from Jetter (Schweiz) AG with DM 10,000 and Jetter Asia Pte. Ltd. with DM 191,000.

Goodwill developed as follows (in thousands):

Gross Value as at 30 June 1998	DM 120
Accumulated Depreciation as at 30 June 1998	45
Net Book Value as at 30 June	75
Additions	169
Gross Value as at 31 March 1999	289
Accumulated Depreciation as at 31 March 1999	88
Net Book Value as at 31 March 1999	DM 201

Tangible Assets

Tangible assets were valued at acquisition and production costs respectively. Regular depreciation was booked by taking as a basis the normal useful operating life of the individual assets.

The production costs of self-constructed assets include direct costs such as material and personnel. They also include an appropriate percentage of the necessary material and factory overhead costs, as well as production-related depreciation.

In accordance with IAS 23, borrowing costs associated with financing the purchases or production are not capitalized.

Depreciation was calculated according to the straight line method as well as the declining balance method based on the following useful lives: five to twelve years for leasehold improvements, three to five years for EDP-equipment, three to five years for vehicles and two to seven years for other furniture and equipment.

Tangible assets developed as follows (in thousands):

	<u>Leasehold Improvements</u>	<u>Other Furniture and Equipment</u>	<u>Construction under Progress</u>	<u>Total</u>
Gross Value as at 30 June 1998	DM 563	DM 4,205	—	DM 4,768
Accumulated Depreciation as at 30				
June 1998	266	2,926	—	3,192
Net book Value as at 30 June 1998 . . .	297	1,279	—	1,576
Currency Differences	(1)	3	—	2
Additions	18	786	92	896
Transfers	(14)	—	—	(14)
Disposals	—	(185)	—	(185)
Gross Value as at 31 March 1999	566	4,809	92	5,467
Accumulated Depreciation as at				
31 March 1999	254	3,545	—	3,799
Net Book Value as at 31 March 1999 . .	DM 312	DM 1,264	DM 92	DM 1,668

Inventory

Raw materials and supplies are stated at the lower of cost or market value using the acquisition costs based on the FIFO method.

Finished goods, unfinished goods and work in progress are valued at production costs. These costs include direct costs as well as a reasonable allocation of indirect material and production overhead costs.

Trade merchandise is valued at its acquisition cost.

All recognizable risks in the inventory which result from a longer than average storage periods and reduced resale value are taken into account by making an appropriate write-down in value.

The total write-downs on inventory are DM 202,000 (previous fiscal year: DM 198,000).

As security for bank loans the stock of raw materials and the finished and unfinished goods of Jetter were pledged.

Receivables and Other Assets

Trade receivables and other assets are disclosed at their nominal value. Identifiable collection risks are accounted for by making individual allowances of DM 155,000 (previous fiscal year: DM 126,000).

Lump sum value allowances of DM 16,000 (previous fiscal year: DM 17,000) are included in the annual financial statements of Jetter for the nine month fiscal period ended 31 March 1999. Due to immateriality these figures were not corrected in the IAS financial statements.

The trade receivables are due within one year.

The other assets include receivables of DM 479,000 (previous fiscal year: DM 387,000) which are due in more than one year. The most significant positions of other assets are tax refunds DM 573,000 (previous fiscal year: DM 135,000) and the asset value of reinsurance policies concerning pension accruals DM 479,000 (previous fiscal year: DM 387,000).

A blanket assignment of the rights to trade receivables has been made as security for credits.

Cash and Cash Equivalents

Cash and cash equivalents are readily accessible, highly liquid assets.

Prepaid Expenses

Prepaid expenses mainly include prepaid trade fair and exhibition costs and prepayments for insurances.

Capital and Reserves

With an economic effect as of 1 July 1998 the subscribed capital was increased from DM 500,000 to DM 568,000 due to the merger of KRAUT Mikroelektronik GmbH with Jetter.

With an economic effect as of 1 July 1998, the Company was converted from a German limited liability company ("*Gesellschaft mit beschränkter Haftung*") into a stock corporation ("*Aktiengesellschaft*"). The former shareholders of the Jetter GmbH took over the shares of Jetter AG in proportion to their former holdings in the stock of the limited liability company. The share capital is fully paid-in and divided into 113,640 non-par value bearer shares.

As at 31 March 1999, the management board was authorized to increase the Company's capital until 30 June 2003 with the consent of the supervisory board by an aggregate nominal amount of up to DM 227,000 by issuing new shares in exchange for contributions in cash (Authorized Capital I).

As at 31 March 1999, the management board was further authorized until 30 June 2003 to increase the Company's capital with the consent of the supervisory board by an aggregate nominal amount of up to DM 57,000 by issuing new shares in exchange for cash contributions (Authorized Capital II).

The capital reserves result from the merger of KRAUT Mikroelektronik GmbH with Jetter AG.

The minority interests include the minority interest in Jetter Asia Pte. Ltd. DM 111,000 (previous fiscal year: DM 1,008,000) which is 6% (previous fiscal year: 48%) of the total equity of DM 1,846,000 (previous fiscal year: DM 2,101,000) and the minority interest in Jetter (Schweiz) AG with DM 10,000 (previous fiscal year: DM 20,000) which is 15% (previous fiscal year: 15%) of the total equity of DM 68,000 (previous fiscal year: DM 113,000).

The development of capital and reserves of the Jetter Group is attached as an appendix to these explanatory notes.

Pension Accruals

The members of the management board and one former member of the management board of Jetter have pension claims based on individual pledges (fixed amounts). There are reinsurance policies for the benefit pledge; the liabilities are covered to the full amount of the actuarially calculated expense by accruals formed in the balance sheet.

The pension accruals are defined benefit obligations (IAS 19.7) and were calculated according to IAS 19 (Retirement Benefit Costs, revised 1998) using the projected unit credit method (IAS 19.64). With this method, future obligations are valued by using actuarial methods with assessment of the relevant influences. The present value of the actuarially calculated pension accruals as at 31 March 1999 was DM 1,555,000 (previous fiscal year: DM 1,145,000).

The actuarial assumptions are as follows: pension increases 2.5%, interest rate 6.0%. Actuarial opinions were prepared as at 30 June 1998 and 31 March 1999. No pension payments have been made to beneficiaries so far.

Deferred Taxes

Deferred taxes were generally calculated for all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. No deferred taxes are calculated on goodwill from consolidation.

For tax loss carry forwards no deferred tax assets are recognized.

Intercompany gains and losses increased in the nine month fiscal period ended 31 March 1999 from DM 392,000 to DM 603,000. The difference of DM 211,000 related to deferred taxes of DM 105,000 based on a taxation rate of 50%.

Other Accruals

Other accruals are formed when an obligation to a third party exists and is likely to be claimed, and the presumable amount of the required accrual can be reliably estimated.

Accruals for personnel include:

1. holidays not yet taken;
2. vacation and Christmas bonuses;
3. overtime carried forward;
4. salaries back pay;
5. premiums for professional association fees (*Berufsgenossenschaft*);
6. severance payments;
7. charge for not employing handicapped people.

Accruals for marketing were established for:

1. guarantees and warranties to customers in the amount of the previous historical values and client-specific warranties at their estimated value;
2. outstanding credit notes for returned products;
3. discounts clients take for early payment;
4. bonuses clients receive for reaching purchasing targets;
5. producing and preparing manuals for existing Jetter products.

Accruals for other areas were established for:

1. legal and consulting costs;
2. charges for legally mandated audits of the financial statements pursuant to Section 316 HGB;
3. rental obligations and certain building operating expenses for facilities;
4. bonuses for management and consultants related to the Offering;
5. insurance premiums.

Other accruals cover all recognizable risks from uncertain liabilities and impending losses from pending transactions. The underlying transactions have a term of less than one year.

Liabilities

The long-term liabilities (due within more than one year) were stated at the repayment value and amount to DM 7,000 (previous fiscal year: DM 136,000). Of these, no liabilities are due within more than five years.

They are almost exclusively Deutsche Mark denominated liabilities.

In the nine month fiscal period ended 31 March 1999 the Company almost fully repaid existing loans from Deutsche Bank AG. The Company also repaid various bank liabilities to BMW bank. The repayment value of these bank liabilities as at 31 March 1999 is DM 113,000 (previous fiscal year: DM 274,000).

Short-term liabilities (due within one year) were similarly stated at their repayment value and amount to DM 6,389,000 (in thousands):

	Fiscal Year Ended 30 June 1998	Nine Month Fiscal Period Ended 31 March 1999
Liabilities to Banks	DM 631	DM 3,602
Advance Payments Received on Orders	—	297
Trade Payables	864	583
Liabilities to Shareholders	1,249	1,101
Other Liabilities	DM 859	DM 813

Liabilities to banks are secured by absolute guarantees from Martin Jetter (DM 6,050,000). Furthermore, the Company has globally pledged all trade receivables and has pledged the stock of raw materials and finished and unfinished goods. Additionally, some vehicles were pledged as part of financing agreements for vehicles.

Financing Instruments, Contingent Liabilities and Other Financial Obligations

Basically all receivables and liabilities are Deutsche Mark items without currency risks. Currency hedging transactions, which are undertaken from time to time to protect the Singapore dollar rate to Deutsche Mark, were not in existence on the balance sheet closing dates. Likewise, there were no financing transactions to protect against interest rate risks.

Liabilities to banks are primarily current account credits with variable interest rates. Thus the Company bears the interest rate change risk. Additionally there are two short-term "EURO-credits", with a repayment term until the middle of June 1999 and a fixed interest rate.

Payment obligations from the leasing of moveable tangible and intangible assets (operating leases) exist without deduction of accrued interest as follows (in thousands).

	Fiscal Year Ended 30 June 1998	Nine Month Fiscal Period Ended 31 March 1999
Due within One Year	DM 143	DM 191
Due within more than One Year	DM 134	DM 208

Payment obligations from the leasing of facilities (operating leases) exist without a deduction of accrued interest as follows (in thousands):

	Fiscal Year Ended 30 June 1998	Nine Month Fiscal Period Ended 31 March 1999
Due within One Year	DM 614	DM 580
Due within more than One Year	DM 4,054	DM 4,385

The rent for the facility in Ludwigsburg, Gräterstrasse 2 is related to the inflation rate as a market rate. Thus the Company bears the interest rate risk. The Company has not undertaken any guarantees. In January 1998 a rent agreement for a new office building being constructed was signed with a term until the year 2010. The annual rent is fixed on the basis of 6% of the construction costs including proportional cost for land. Therefore, this rent cannot be calculated precisely.

Additionally, there are contingent liabilities due to off balance sheet financing in the form of notes payable of DM 348,000 (previous fiscal year: DM 0) not accounted for in the balance sheet. Finally there are outstanding orders for investments of DM 261,000.

Cash Flow Statement

The liquid funds (cash and cash equivalents) and the short-term debt were included in the financial funds which decreased from DM 1,272,000 as at 30 June 1998 to DM (2,279,000) as at 31 March 1999.

CONSOLIDATED MANAGEMENT REPORT 1998/99

Business Description

Jetter develops, produces, sells and applies control systems. These control systems consist of hardware with integrated software (operating systems). These products are used in the highly complex production processes of the semiconductor, automobile and packaging industries. Customers are primarily machine manufacture businesses (OEMs) but other possible users are also systems integrators and industrial end-users.

Development of Machine Manufacture

The situation of the machine manufacture market has been particularly satisfactory in Germany over the period of this report. However, the market has slowed economically, particularly in the second half of the period of this report. In relation to the German machine manufacture industry, the weakening of overseas demand has been responsible for this. In England the Rover crisis has made itself felt among automobile suppliers. The Swiss machine manufacture industry has also suffered as a result of the Asian and semiconductor crises due to its strong emphasis on exports.

Development of Machine Manufacture in the Field of Semiconductors

The economic collapse had already begun before the period of this report for the suppliers to the semiconductor industry and worsened in the second half of this period, deteriorating severely, after a brief recovery in September proved to be transitory. Only towards the end of the report period have there been the first indications of a lasting recovery.

Development of the Jetter Group

The strong dependency of the Jetter Group on the semiconductor market has led to a serious collapse in revenues in the Asian market to less than half of the previous year's level. The moderate growth in Germany has not been able to compensate for this collapse, and the revenues for the period of this report has dropped to DM 17,836,000. Due to its dependence on the semiconductor market, the Swiss market has also shown a fall. The English market, characterised by its close ties with the British car industry (Rover), also failed to reach its previous year's revenues.

Results

The results before tax of the Group dropped from DM 3,814,000 by DM 5,225,000. The resulting loss derived mainly from the fall in revenues referred to and higher investment in the areas of sales, research and development. In these areas, extra personnel have been brought in to develop and bring to the market the new technology which was presented in April.

Balance Sheet/Financial Position

The total of the balance sheet went up by DM 181,000 (1.2%) to DM 14,698,000.

On the assets side, fixed assets increased by DM 530,000 (29.9%) to DM 2,302,000. This represented 15.7% of the total assets. Fixed assets are covered up to 160.2% by shareholders' equity. Current assets (including prepaid expenses and deferred taxes) fell by DM 348,000 (2.7%) to DM 12,397,000.

On the liabilities side, shareholders' equity fell by DM 1,500,000 (28.9%) to DM 3,688,000. This represents a shareholders' equity ratio of 25.1% as against 35.7% in the previous year. Accruals fell by DM 1,112,000 (19.4%). This fall has resulted mainly from the payment of management bonuses. The liabilities of the Group grew by DM 2,793,000 (77.5%) to DM 6,396,000.

Investments

Two single investments stand out particularly from the total amount of investments made. One was the DM 212,000 application of hardware and software to implement business software, the other is the DM 194,000 acquisition by the Company of a supply of source codes for flow diagram programming for the development of new control technology.

Research and Development

The research and development activities of the Jetter Group can be divided into two main areas. One Jetter development team deals with the further development, maintenance and completion of existing product lines from the Process PLC. A second team has been developing a worldwide new control technology (JetWeb), whose first results were presented in March to the industry media at a press conference. This team has been considerably expanded over the period of this report and should have brought the product range for this new technology to the point that the first pilot projects can be carried out by the end of the financial year 1999/2000.

Development work of the business is concentrated within Germany.

Sales Activities

In February 1999 a sales office was opened in the Netherlands to enable these markets to be exploited in a more intensive and customer-oriented manner. Also an office was opened in England for the North England market.

In order to increase the presence in the Asian markets which are now becoming increasingly important, the shares of its joint venture partner in the sales subsidiary Cybex have been acquired. This serves as the Asian headquarters, and should be completed by the change of name from 1 April 1999 to "Jetter Asia Pte. Ltd.".

Personnel

The number of personnel increased by 19.8% from 91 to 109 on average over the year. At the end of the nine month fiscal year the business employed 115 staff. This growth is a result of the merger with Kraut Mikroelektronik GmbH (3 staff) and the expansion of the research and development department (8 staff) and the accounting department (4 staff).

Outlook

Asia, and in particular the semiconductor market, shows clear signs of economic revival. Further projects in Asia, in particular in Taiwan, which, during the period of this report have reached the prototype stage, will lead to increased revenues. In Germany there is no indication of an economic collapse, and Jetter, on the basis of expanded sales activities, is expecting further growth. The Swiss branch is expected to be able to profit from the economic revival on the basis of the recovery in Asia.

Jetter hopes, through the new control technology (JetWeb), to have achieved good conditions for its medium term development. This technology has received sustained interest from customers, the press and potential partners. In the course of the coming years it is planned to bring this technology to the market.

Ludwigsburg, June 1999
Jetter AG
The Management

JETTER AG
SHAREHOLDERS' EQUITY
FOR THE CONSOLIDATED BALANCE SHEET OF JETTER AG
(ACCORDING TO IAS)
(in thousands)

	<u>Subscribed Capital</u>	<u>Capital Reserves</u>	<u>Revenue Reserves</u>	<u>Retained Earnings</u>	<u>Minority Interests</u>	<u>Shareholders' Equity</u>
As at 30 June 1998	DM 500	—	DM 1,469	DM 2,191	DM 1,028	DM 5,188
Capital Increase due to the Merger with KRAUT Mikroelektronik GmbH	68	168	—	—	—	236
Investment in Shares of 42% Jetter Asia Pte. Ltd.	—	—	—	—	(882)	(882)
Revaluations and Exchange Rate Differences	—	—	91	—	—	91
Net Loss	—	—	—	(945)	—	(945)
Minority Interest of the Net Loss	—	—	—	24	(24)	—
Allocation from Revenue Reserves	—	—	(551)	551	—	—
As at 31 March 1999	<u>DM 568</u>	<u>DM 168</u>	<u>DM 1,009</u>	<u>DM 1,821</u>	<u>DM 122</u>	<u>DM 3,688</u>

HGB INFORMATION

Audit Opinions

The following balance sheets as at 30 June 1996, 1997 and 1998 and 31 March 1999, profit and loss statements for the fiscal years ended 30 June 1996, 1997 and 1998 and the nine month fiscal period ended 31 March 1999 and the management report for the nine month fiscal period ended 31 March 1999, which were prepared for inclusion in the Prospectus, are in all material respects the same as the financial statements of Jetter AG (previously Jetter GmbH), Ludwigsburg, which we audited.

We audited the accounts and financial statements of Jetter AG (previously Jetter GmbH), Ludwigsburg, as at 30 June 1996, 1997, 1998 and as at 31 March 1999, and issued an unqualified auditors' opinion on 10 June 1998, 8 July 1998, 28 September 1998 and 7 May 1999 for each of those.

We issued the following unqualified auditors' opinion on the complete financial statements and management report as at 31 March 1999:

The accounting records and the annual financial statements of Jetter AG, Ludwigsburg, as at 31 March 1999, which we have audited in accordance with professional standards, comply with (German) legal provisions and the Company's by-laws. With due regard to (German) generally accepted accounting principles, the financial statements provide a true and fair view of the Company's assets, liabilities, earnings and financial position. The management report is consistent with the annual financial statements.

Stuttgart, 7 May 1999

Schitag Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

Ossig
Wirtschaftsprüfer
(Certified Auditor)

Wittmann
Wirtschaftsprüfer
(Certified Auditor)

JETTER AG
PROFIT AND LOSS STATEMENT
FOR FISCAL YEARS ENDED 30 JUNE 1996, 1997, 1998,
NINE MONTH FISCAL PERIOD ENDED 31 MARCH 1999
AND THREE MONTHS ENDED 30 JUNE 1999
(ACCORDING TO HGB)
(in thousands)

	Fiscal Year Ended 30 June			Nine Month Fiscal Period Ended 31 March 1999	Three Months Ended 30 June 1999
	1996	1997	1998		
Revenues	DM 18,052	DM 19,028	DM 23,337	DM 15,765	DM 5,667
Changes in Finished and Unfinished Goods and Work in Progress	812	65	803	(323)	(28)
Own Work Capitalized	—	97	94	99	105
Total Output	DM 18,864	DM 19,190	DM 24,234	DM 15,541	DM 5,744
Other Operating Income	274	274	452	646	209
	DM 19,138	DM 19,464	DM 24,686	DM 16,187	DM 5,953
Cost of Materials					
Cost of Raw Materials, Supplies and Purchased Merchandise . .	(8,478)	(8,165)	(8,065)	(4,733)	(1,872)
Cost of Purchased Services	(105)	(304)	(500)	(258)	(68)
Personnel Costs					
Wages and Salaries	(5,263)	(5,568)	(7,500)	(5,624)	(2,194)
Social Security and Pension Costs ⁽¹⁾	(884)	(1,106)	(1,135)	(1,196)	(527)
Depreciation and Amortization on Intangible Assets and Tangible Fixed Assets	(660)	(750)	(829)	(786)	(312)
Other Operating Expenses	(2,521)	(3,190)	(3,580)	(3,893)	(2,070)
Operating Expenses	DM (17,911)	DM (19,083)	DM (21,609)	DM (16,490)	DM (7,043)
Operating Income	DM 1,227	DM 381	DM 3,078	DM (303)	DM (1,090)
Interest and Similar Income . . .	22	17	35	45	15
Depreciation on Investments . . .	—	—	(273)	—	—
Interest and Similar Expenses . .	(108)	(186)	(138)	(122)	(83)
Result from Ordinary Business					
Activities	DM 1,141	DM 212	DM 2,701	DM (380)	DM (1,158)
Extraordinary Income	—	510	—	—	—
Extraordinary Expenses	—	—	(364)	—	—
Income Taxes	(660)	(398)	(1,317)	171	(7)
Other Taxes	(17)	(21)	(4)	(4)	(1)
Net Profit(Loss) for the Period . .	DM 464	DM 303	DM 1,016	DM (213)	DM (1,166)
Profit Carry Forward from Previous Fiscal Period	407	871	1,174	2,190	177
Retained Earnings	DM 871	DM 1,174	DM 2,190	DM 1,977	DM (989)

⁽¹⁾ Of which pensions costs amounted to DM 198,000, DM 262,000, DM 142,000, DM 344,000 and DM 142,000 respectively.

JETTER AG
BALANCE SHEET AS AT 30 JUNE 1996, 1997, 1998,
31 MARCH 1999 AND 30 JUNE 1999
(ACCORDING TO HGB)
(in thousands)

	30 June			31 March 1999	30 June 1999
	1996	1997	1998		
ASSETS					
Subscribed Capital Unpaid	DM 330	—	—	—	—
Software	35	50	110	423	433
Intangible Assets	DM 35	DM 50	DM 110	DM 423	DM 433
Leasehold Improvements	221	258	286	312	304
Other Furniture and Equipment	786	685	877	937	1,179
Construction Under Progress	14	—	—	92	42
Tangible Assets	DM 1,021	DM 943	DM 1,163	DM 1,341	DM 1,525
Shares in Affiliated Companies	165	712	747	1,833	1,833
Loans to Affiliated Companies	239	202	—	—	—
Investments	DM 404	DM 914	DM 747	DM 1,833	DM 1,833
Non-Current Assets	DM 1,460	DM 1,907	DM 2,020	DM 3,597	DM 3,791
Raw Material and Supplies	1,341	1,481	2,314	2,743	2,571
Unfinished Goods and Work in Progress	363	526	1,273	1,067	1,120
Finished Goods and Trade Merchandise	784	676	952	804	735
Payment Received on Orders	—	(35)	—	—	—
Inventory	DM 2,488	DM 2,648	DM 4,539	DM 4,614	DM 4,426
Trade Receivables	1,030	2,303	1,945	1,816	2,217
Receivables from Affiliated Companies	1,407	1,787	1,633	1,530	2,062
Other Assets	392	469	572	1,105	1,184
— thereof Due within more than One Year	256	319	387	479	553
Receivables and Other Assets	DM 2,829	DM 4,559	DM 4,150	DM 4,451	DM 5,463
Cash and Cash Equivalents	508	117	189	18	20
Prepaid Expenses	24	27	47	178	181
Current Assets⁽¹⁾	DM 5,849	DM 7,351	DM 8,925	DM 9,261	DM 10,090
TOTAL ASSETS	DM 7,639	DM 9,258	DM 10,945	DM 12,858	DM 13,881

⁽¹⁾ Including prepaid expenses.

JETTER AG
BALANCE SHEET AS AT 30 JUNE 1996, 1997, 1998,
31 MARCH 1999 AND 30 JUNE 1999
(ACCORDING TO HGB)
(in thousands)

	Fiscal Year Ended 30 June			Nine Month Fiscal Period Ended 31 March	Three Months Ended 30 June
	1996	1997	1998	1999	1999
					(unaudited)
EQUITY AND LIABILITIES					
Subscribed Capital	DM 500	DM 500	DM 500	DM 568	DM 568
Capital Reserves	—	—	—	168	168
Other Revenue Reserves	500	500	500	500	2,300
Profit Carry Forward	407	871	1,174	2,190	178
Net Profit (Loss) for the Fiscal Period	464	303	1,016	(213)	(1,166)
Shareholders' Equity	DM 1,871	DM 2,174	DM 3,190	DM 3,213	DM 2,048
Pension Accruals	750	928	924	1,285	1,318
Tax Accruals	386	140	688	1,157	1,040
Other Accruals	1,716	2,001	3,297	1,600	1,796
Accruals	DM 2,852	DM 3,069	DM 4,909	DM 4,042	DM 4,154
Liabilities to Banks	47	986	274	3,601	5,468
Trade Payables	677	499	707	274	577
Liabilities from Bills of Exchange . . .	259	726	—	—	—
Liabilities to Shareholders	1,341	1,212	1,249	1,101	869
Other Liabilities	592	592	616	627	765
— thereof for Taxes	171	127	215	246	248
— thereof for Social Security	107	138	247	224	266
Liabilities	DM 2,916	DM 4,015	DM 2,846	DM 5,603	DM 7,679
TOTAL EQUITY AND LIABILITIES . .	DM 7,639	DM 9,258	DM 10,945	DM 12,858	DM 13,881

JETTER AG
CASH FLOW STATEMENTS
FOR FISCAL YEARS ENDED 30 JUNE 1996, 1997, 1998,
NINE MONTH FISCAL PERIOD ENDED 31 MARCH 1999
AND THREE MONTHS ENDED 30 JUNE 1999
(ACCORDING TO HGB)
(UNAUDITED⁽¹⁾)
(in thousands)

	Fiscal Year Ended 30 June			Nine Month Fiscal Period Ended 31 March 1999	Three Months Ended 30 June 1999
	1996	1997	1998		
Net Profit (Loss) for the Period . . .	DM 464	DM 303	DM 1,016	DM (213)	DM (1,166)
Depreciation (Appreciation) on Fixed Assets	660	751	1,102	709	312
Increase (Decrease) in Pension Accruals	121	178	(4)	207	34
Cash-flow (1)	DM 1,245	DM 1,232	DM 2,114	DM 703	DM (820)
Other Non-Cash Earnings and Expenditures		(510)	—	(318)	(27)
Profit from Disposal of Fixed Assets		(21)	(65)	—	(3)
Changes in Inventory, Trade Receivables and Other Assets .		(1,953)	(1,502)	(468)	(822)
Changes in Trade Payables and Other Liabilities		388	1,350	(1,353)	541
Net Inflow (Outflow) from Ongoing Business Activities (2)		DM (864)	DM 1,897	DM (1,436)	DM (1,131)
Receipts from Disposals of Fixed Assets		21	99	—	21
Payments in Investments in Fixed Assets		(688)	(1,249)	(2,261)	(523)
Outflow of Funds for Investment Activities (3)	DM (667)	DM (1,150)	DM (1,150)	DM (2,261)	DM (502)
Capital Increases		330	—	236	—
Receipts (Payments) for Liabilities to Shareholders		(128)	36	(147)	(232)
Receipts of Loans		287	194	—	—
Repayment of Loans		(64)	(190)	(157)	(3)
Inflow (Outflow) of Funds from Financing Activities (4)	DM 425	DM 40	DM 40	DM (68)	DM (235)
Changes in Existing Financing Funds (2+3+4) Affecting Payments	DM (1,106)	DM 787	DM 787	DM (3,765)	DM (1,868)
Existing Financing Funds at the Beginning of the Period	DM 508	DM (598)	DM (598)	DM 189	DM (3,576)
Existing Financing Funds at the End of the Period	DM (598)	DM 189	DM 189	DM (3,576)	DM (5,444)

⁽¹⁾ Under HGB principles, cash flow statements do not form part of the audited financial statements.

JETTER AG
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 1999
(ACCORDING TO HGB)

General

The financial statements of Jetter for the nine month fiscal period ended 31 March 1999 have been prepared in accordance with Section 242 *et seq* and Section 264 *et seq* HGB (German Commercial Code), the additional regulations of the stock corporation law (*Aktiengesetz*) and the Company's by-laws. The Company applied the regulations for "large companies" based on the request for permission to be treated at the Frankfurt Stock Exchange (Neuer Markt Segment), pursuant to Section 267 (3) HGB.

With an economic effect as of 1 July 1998, KRAUT Mikroelektronik GmbH was merged with Jetter AG based on net book values.

For the presentation of the profit and loss statement, the cost summary method has been used.

Accounting and Valuation Principles

The financial statements have been prepared in accordance with the following accounting and valuation principles consistent with those of the previous fiscal years.

In the nine month fiscal period ended 31 March 1999 the results of a tax audit were recognized in the financial statements.

Intangible Assets

Intangible assets are valued at their acquisition cost and depreciated using the straight line method.

Tangible Assets

Tangible assets are valued at their acquisition and production costs respectively and depreciated using the regular straight line method as well as the declining balance method complying with the expected useful lives of the individual assets. The production costs of self-constructed assets include direct costs, prorated overhead costs as well as production related depreciation. Low value items up to DM 800 are fully depreciated and charged to operating expenses in the year of acquisition. Additions of tangible fixed assets are in principle depreciated ratably. According to German income tax directives (Section 44 (2) *Einkommensteuerrichtlinien*) additions to moveable assets acquired during the first six months of the fiscal period are depreciated at the full annual rate; those purchased in the second half of such fiscal period are depreciated at one-half the annual rate.

Investments

Shares in affiliated companies are stated at the lower of cost or market value. Loans to affiliated companies are basically valued at their nominal value or at the lower market value.

Inventory

Inventory is stated at the lower of cost or market value. Raw materials and supplies are basically valued at the acquisition costs based on the FIFO method. Along with directly attributable costs, production costs of finished and unfinished goods and work in progress also include reasonable indirect material and production costs. All recognizable risks in the inventory which result from a longer than average storage period and reduced resale value are taken into account by making an appropriate reduction in value. The stock of raw materials and the finished and unfinished goods were pledged as security for bank loans.

Receivables and Other Assets

Receivables and other assets are disclosed in the balance sheet at their nominal value. Receivables and other assets associated with identifiable collection risks are individually reduced by specific

allowances. General credit risk including outstanding discounts granted is taken into account by a reasonable lump sum valuation allowance. Foreign currency denominated receivables have been translated either at the exchange rate prevailing at the transaction date or at the exchange rate at the end of the fiscal period, whichever is lower. All of the trade receivables were globally pledged as security for bank loans.

Pension Accruals

Pension accruals are stated at their actuarial values complying with actuarial guidelines by Dr. Klaus Heubeck (*Richttafeln 1998 von Dr. Klaus Heubeck*) based on an interest rate of 6% in accordance with tax regulations.

Other Accruals

Other accruals include all identifiable risks, all unknown liabilities and imminent losses resulting from pending transactions.

Liabilities

Liabilities are accounted for based on their repayment value. Foreign currency denominated liabilities have been translated either at the exchange rate prevailing at the transaction date or at the exchange rate at year end, whichever is higher.

Notes to the Balance Sheet

Non-Current Assets

The development of these assets in detail is included in the attached analysis (Appendix 1).

Financial Assets

Financial assets as at the balance sheet date are as follows (in thousands):

	<u>Local Currency ("LC")</u>	<u>Share Capital in LC</u>	<u>Share Quota</u>	<u>Equity</u>	<u>Net Result for Nine Month Fiscal Period Ended 31 March 1999</u>
Jetter (Schweiz) AG, Tägerschen, Switzerland	CHF	200	85%	DM 82	DM (68)
Jetter Automation Ltd, Aldridge, England . .	GBP	10	100%	DM 385	DM (166)
Jetter Asia Pte. Ltd. (formerly Cybex), Singapore	SGD	300	94%	DM 1,846	DM (245)

Receivables and Other Assets

Other assets include receivables of DM 479,000 (previous fiscal year: DM 387,000) which are due in more than one year. All other receivables are due within one year.

Capital and Reserves

Due to the merger of KRAUT Mikroelektronik GmbH with Jetter, the subscribed capital was increased from DM 500,000 to DM 568,000 with an economic effect as of 1 July 1998. The Company was converted from a German limited liability company ("*Gesellschaft mit beschränkter Haftung*") into a stock corporation ("*Aktiengesellschaft*") with an economic effect as of 1 July 1998. Thereafter the share capital was divided into 113,640 bearer shares without a nominal value totaling a nominal amount of DM 568,000.

As at 31 March 1999, the management board was authorized to increase the Companies' capital until 30 June 2003 with the consent of the supervisory board by an aggregate nominal amount of up to DM 227,000 by issuing new shares in exchange for cash contributions (Authorized Capital I).

As at 31 March 1999, the management board was further authorized until 30 June 2003 to increase the Company's capital with the consent of the supervisory board by an aggregate nominal amount of up to DM 57,000 by issuing new shares in exchange for cash contributions (Authorized Capital II).

The capital reserves result from the merger of KRAUT Mikroelektronik GmbH with Jetter.

Other Accruals

Accruals for Personnel

These accruals primarily represent accruals for holidays not yet taken amounting to DM 430,000 (previous fiscal year: DM 318,000) and accruals for vacation and Christmas bonuses of DM 148,000 (previous fiscal year: DM 138,000).

Accruals for Marketing

Accruals are mainly stated for guarantees and warranties of DM 333,000 (previous fiscal year: DM 314,000) and outstanding credit notes of DM 72,000 (previous fiscal year: DM 0).

Accruals for Other Areas

These accruals include the following amounts:

- Legal, consulting and audit costs for the financial statements DM 178,000 (previous fiscal year: DM 269,000);
- One time payments to the financial management and a consultant DM 135,000 (previous fiscal year: DM 0);
- Rental obligations DM 109,000 (previous fiscal year: DM 87,000);
- Supervisory board compensation DM 35,000 (previous fiscal year: DM 0);
- Other expenses not yet invoiced DM 16,000 (previous fiscal year: DM 13,000).

Liabilities

The breakdown of all liabilities in accordance with their remaining terms and a description of the type and form of all collateral securities, are presented within the attached "Schedule of Liabilities" (Appendix 2).

Contingent Liabilities and Other Financial Obligations

Contingent liabilities include liabilities due to the discount ledger of DM 348,000. Other financial obligations attributable to rent and lease contracts will result in payments of DM 4,911,000 through the year 2010. In January 1998 a rent agreement for a new building being constructed was finalized with a term through the year 2010. The annual rent is fixed on the basis of 6% of the construction costs including proportional costs for land. Therefore this rent cannot be calculated precisely. Finally there are outstanding orders for investments of DM 261,000.

Notes to the Profit and Loss Statement

The profit and loss statement for the fiscal period ended 31 March 1999 only includes a nine month period.

Revenues

Domestic revenues consist of DM 11,000,000 (previous fiscal year: DM 13,600,000), sales to the EU DM 1,800,000 (previous fiscal year: DM 2,100,000) and sales to other countries DM 3,000,000 (previous fiscal year: DM 7,600,000).

Other Operating Income

Other operating income mainly includes reversals of other accruals DM 255,000 (previous fiscal year: DM 6,000), subsidies for development costs (JetWeb Project) DM 184,000 (previous fiscal year: DM 128,000) and appreciations in fixed assets due to a tax audit DM 103,000 (previous fiscal year: DM 0).

Other Operating Expenses

Other operating expenses primarily consist of selling and marketing costs DM 1,253,000 (previous fiscal year: DM 1,551,000), administrative expenses DM 856,000 (previous fiscal year: DM 801,000) and rental costs for buildings DM 411,000 (previous fiscal year: DM 491,000).

Other Information

Supervisory Board

Kurt Hauser, Dipl.-Bw, Ludwigsburg (Chairman)
Dr. Michael J. Oltmanns, Rechtsanwalt, Frankfurt am Main (Deputy Chairman)
Roland Duchâtelet, Ingenieur, Deurne, Belgium
Harald Fischer, Ingenieur, Darmstadt
Friedhelm Kernstock, Dipl.-Kfm., Stuttgart
Bijan-Daniel Khezri, London, Great Britain

Management Board

Martin Jetter, Ludwigsburg (Chairman)
Andreas Kraut, Ludwigsburg
Andreas Gatter, Besigheim

Total Fees Paid to the Management Board and Supervisory Board

The fees paid to the management board of Jetter amounted to DM 1,818,000 for the nine month fiscal period ended 31 March 1999. The fees paid to the supervisory board amounted to DM 35,000. For a former member of the management board a pension accrual of DM 736,000 is stated as at 31 March 1999.

Employees

During the nine month fiscal period ended 31 March 1999 the Company employed an average of 86 employees; during the fiscal year ended 30 June 1998, this was an average of 68 employees.

Proposal for the Appropriation of Profits

The management will propose to the shareholders' meeting that the retained earnings disclosed in the balance sheet of DM 1,976,983 be allocated to the revenue reserves and that the remainder of DM 176,983 be carried forward.

MANAGEMENT REPORT 1998/99

Course of Business, Situation of the Company

Market Situation

The Asian crisis, reinforced by the worldwide semiconductor crisis, has had a considerable effect on the development of the business, particularly in Asia, over the period covered by this report. In other regions of the world, in particular in Germany, the state of machine manufacturers has been satisfactory, permitting moderate growth in turnover here.

Course of Business

The strong dependency of our Singapore subsidiary on the semiconductor market has led to a collapse in revenues there to less than one third of the previous year's level. It has not been possible to compensate fully for this collapse with the moderate growth in Germany and Europe, so the revenue for the period of this report has dropped to DM 15,765,000. This represents, calculating on the basis of a comparative time period of 12 months, a reduction of 9.93%. On the same basis, the proportion of exports has dropped from 41% to 30%.

Mainly as a result of the reduction in revenues, but also as a result of higher investment in the areas of sales, research and development, as well as in administration, the results before tax have dropped from DM 2,338,000 to DM (380,000).

Research and Development

The development of a worldwide new generation of controllers (JetWeb) has been carried forward during the period of this report with increased manpower, allowing initial results to be presented. It is planned to have completed the JetWeb product range by the end of the financial year 1999/2000.

Sales Activities

In February 1999, a sales office was opened in the Netherlands. The opening of sales offices in Leipzig and Ingolstadt has been delayed and is now planned for the next financial year.

In order to increase our presence in the Asian markets, which are now becoming increasingly important, the shares of its joint venture partner in the sales subsidiary Cybex have been acquired. This serves as the Asian headquarters, and should be completed by the change of name from 1 April 1999 to "Jetter Asia Pte. Ltd.".

Expected Development of the Company

A clear recovery of the semiconductor market is generally expected for the financial year 1999/2000. In addition, there are promising initiatives in Taiwan in particular. Therefore a clear upturn is expected in Asia. Together with the positive effects of increased sales in Germany, this is expected to lead to a clear growth in revenues.

Ludwigsburg, May 1999
Jetter AG
The Management

Appendix 1: Schedule of Gross Capital Investment (in thousands):

	Acquisition and Production Costs as at 1 July 1998			Acquisition and Production Costs as at 31 March 1999			Accumulated Depreciation as at 31 March 1999	Depreciation in the Nine Month Fiscal Period Ended 31 March 1999	Net Book Value as at 31 March 1999	Net Book Value as at 30 June 1998
	DM	DM	DM	DM	DM	DM	DM	DM	DM	
Intangible Assets										
Software	350	470	—	820	397	158	423	110		
Tangible Assets										
Leasehold										
Improvements	549	18	—	567	255	55	312	286		
Other Furniture and Equipment	3,332	695 ⁽¹⁾	146	3,881	2,944	574	937	877		
Construction Under Progress	—	92	—	92	—	—	92	—		
Investments										
Shares in Affiliated Companies	845	1,072 ⁽²⁾	—	1,917	84	—	1,833	747		
Loans to Affiliated Companies	325	—	—	325	325	—	—	—		
Total	DM 5,401	DM 2,347	DM 146	DM 7,602	DM 4,005	DM 787	DM 3,597	DM 2,020		

⁽¹⁾ Including additions of DM 125,000 due to the merger of Kraut.

⁽²⁾ Including additions of DM 25,000 due to a tax audit.

Appendix 2: Schedule of Liabilities (in thousands):

	Total Amount as at 31 March 1999	Due within		Securities
		Less than 1 year	Between 1 and 5 years	
Liabilities to Banks	DM 3,601	DM 3,595	DM 6	<ul style="list-style-type: none"> • absolute guarantees from Martin Jetter • pledge of all trade receivables • pledge of raw materials and the finished and unfinished goods • pledge of some vehicles
Trade Payables	274	274	—	
Liabilities to Shareholders	1,101	1,101	—	
Other Liabilities	627	627	—	
Total Liabilities	DM 5,603	DM 5,597	DM 6	

**SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING REQUIREMENTS OF
THE GERMAN COMMERCIAL CODE (“HGB”) AND INTERNATIONAL ACCOUNTING
STANDARDS (“IAS”)**

The consolidated financial statements of Jetter are prepared in accordance with IAS, which differ in certain respects from German accounting requirements as prescribed by HGB. The following is a summary of the significant differences between IAS and HGB requirements that may affect Jetter’s net income and equity for the periods presented.

Goodwill. Under IAS, goodwill is recorded as an intangible asset and amortized over five years under the straight line method. Under HGB it is possible to offset the goodwill against the revenue reserve with no amortization.

Pension Accruals. Under IAS, the pension accruals are calculated according to IAS 19 (Retirement Benefit Costs, revised 1998) using the project unit credit method. With this method, future obligations are valued by using actuarial methods with assessment of the relevant influences. The expert calculations were based on actuarial assumptions regarding pension increases and interest rates. The relevant interest rate for the calculation is the interest rate in the capital markets. Under HGB the calculation is made by using an interest rate based on tax regulations and no increase of pensions.

Inventory. Under IAS, one is not permitted to value the inventories with lower purchase prices. Under HGB it is mandatory to consider the lower of cost or market value principle by comparing acquisition/production costs on the one hand and the purchase price on the other hand, whichever is lower.

RECENT DEVELOPMENTS AND PROSPECTS

Jetter's business activities in the four months to 31 July 1999 developed in line with the expectations of the Company's management. The semiconductor market shows clear signs of recovery. As a result, the Jetter Group's revenues during the three months ended 30 June 1999 were 20% greater than during the three months ended 30 June 1998.

Jetter developed new applications for its existing Process PLC range for the company APEX during the last financial period. APEX is a manufacturer of robots in Taiwan. The technical inspection of the products to be delivered by Jetter was completed in April. APEX's first orders for demonstration examples have now been placed.

The JetWeb technology raised much interest at the Hanover Fair in April 1999. Many large companies from the automation industry have signified their interest in creating a partnership, as many of them are looking to develop in the same direction with Ethernet-based technology and regard Jetter as a technological leader in that field. As a result of this, many companies in the automation industry have agreed to join IAONA (Industrial Automation Open Networking Alliance), which is being established in Europe by Net-Silicon, Hirschmann and Jetter.

In April 1999 Jetter successfully implemented a new standard sales processing and accounting integrated software package. The new program is Year 2000 compliant and uses Euros as its currency. A similar program for purchasing, stock, production management and salaries will follow in the next three quarters.

One new salesman has been taken on in the Jetter Group since 30 June 1999. The number of employees in the Jetter Group has thus increased to 116 as at 31 July 1999.

Ludwigsburg, August 1999

Jetter AG

GLOSSARY

These terms have the following meanings in this Prospectus unless the context otherwise requires.

actuator	a device at the production level of a control system which performs a physical task in the process controlled, such as turning on or off a switch
AS-Interface	a form of field bus (q.v.) used especially for communication with sensors and actuators
bus	a communication medium linking different parts of a system typically consisting of a set of parallel wires
CAN-Bus	originally developed for communication in vehicles, since extended for use as a form of field bus (q.v.) for industrial automation
CC link	a form of field bus (q.v.) developed and supported by Mitsubishi Electric Automation
closed	based on protocols which are not generally accepted within the particular market, whether or not they are published; not designed to work with competitors' products
ControlNet	a form of field bus (q.v.) developed and supported by Rockwell Automation
controller	hardware with sophisticated integrated software used to control industrial automation processes and items of equipment
CPU	Central Processing Unit, the electronic "brain" at the heart of the controller process
device	any display, input, output, printer or storage mechanism that may form part of or be attached to a control system
DeviceNet	a form of field bus (q.v.) developed and supported by Rockwell Automation
EMC	electromagnetic compatibility, the property of equipment to work without interfering with or being interfered by other equipment
Ethernet	high speed communication medium widely used in computer networks
field bus	a type of bus (q.v.) widely used in industrial automation control systems
Interbus	a form of field bus (q.v.) developed and supported by Phoenix Contact
interface	the connection between two systems or components through which information is exchanged
I/O	Input/Output connections, junctions for the flow of information
IT	Information Technology
OEM	Original Equipment Manufacturer, which assembles and often installs industrial and other machines or production lines for end users
open	based on protocols which are published and generally accepted within the particular market
PC	Personal Computer
PLC	Programmable Logic Controller, the most common type of machine controller
Process PLC	Jetter's advanced PLC range

Profibus-DP	a form of field bus (q.v.) developed and supported by Siemens Automation & Drives
Profibus FMS	a form of field bus (q.v.) developed and supported by Siemens Automation & Drives
protocol	a set of technical standards, which if used by two different products makes those products compatible with one another
real time	a system works in real time when it reacts sufficiently quickly that events are registered with no perceptible delay and in particular in the same order as they actually occurred; typically in a machine control system this means 1 to 10 milliseconds
remote sensor	an item of equipment which is at the end of a communication link device that provides information to the inputs of a control system, e.g. a proximity switch, a temperature measurement sensor or a pressure sensor
servo axis	a mechanical axis which moves part of a machine, controlled by a servo motor; this type of motor requires a servo controller (q.v.)
servo controller	a subsidiary controller which is under the overall control of the CPU but has a certain amount of autonomy to control the movement of one or more motors
solution	provision of a complete package of hardware, software and services such as installation to solve an end user's needs
stepper axis	a mechanical axis which moves part of a machine, controlled by a stepper motor; this type of motor requires a specialized control sub-system
switch	a device used to direct the flow of information around a system and thereby reduce collisions
systems integrator	a business which specializes in programming, installing and maintaining control systems for end users
TCP/IP	Transmission Control Protocol/Internet Protocol, the technical standard used by any system connecting to the Internet
VAR	Value Added Reseller
visualization unit	combined hardware and software unit which enables the user to monitor and control a process

On the basis of this Prospectus

**2,292,320 ordinary non-par value bearer shares (*Stückaktien*)
(calculated nominal value €1.00 each)**

each with full dividend rights for the fiscal year 1999/2000

and

**29,000 ordinary non-par value bearer shares (*Stückaktien*)
(calculated nominal value €1.00 each)**

**in connection with share option rights for
ordinary bearer shares out of the conditional
capital increase resolved by the general
shareholders' meeting on 17 June 1999 and
registered in the commercial register on
28 July 1999**

of

**Jetter AG
Ludwigsburg**

have been admitted

to the Regulated Market (*Geregelter Markt*) with trading on the Neuer Markt

of the Frankfurt Stock Exchange.

London and Stuttgart, August 1999

**BancBoston Robertson Stephens
International Limited**

Landesbank Baden-Württemberg

THE COMPANY

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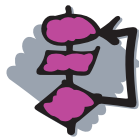
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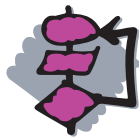
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Jetter
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