



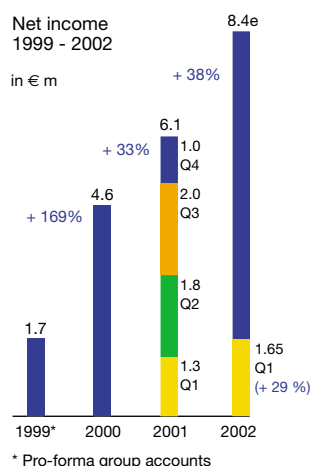
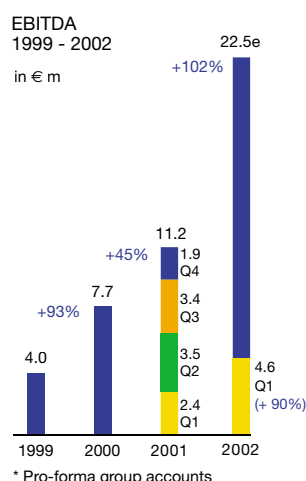
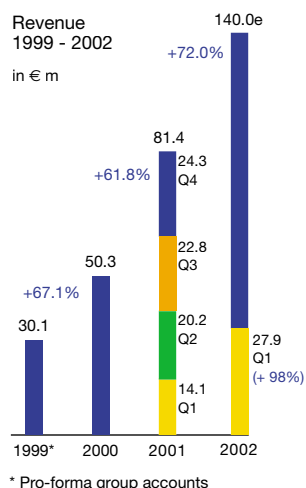
Water = Life

3 Month Report
January 1 to March 31, 2002

WEDECO AG

Water Technology

3-month report January 1 to March 31, 2002



Revenue: 98% growth on a quarterly comparison

With the first time consolidation of the ozone companies acquired in February, WEDECO group with revenue of € 27.9 million in the first three months of the 2002 financial year almost doubled the figure of the first quarter 2001 (€ 14.1 million). Revenue of UV systems, including spare parts and service, totalled € 17.2 million, 29.3% up on Q1 2001 (€ 13.3 million). In the same period the ozone oxidation division invoiced € 10.7 million.

The regional revenue breakdown confirms the continuing trend to the world-wide shift from chemical water treatment methods to those using UV and ozone technology. Alongside the expected high contributions of the European markets, particularly Germany (+ 82.5%) and Great Britain (+ 90.6%), revenues rose very strongly especially in the USA (+ 113.5%).

Result: strong upturn

At € 4.6 million EBITDA rose 90% in Q1 over EBITDA of Q1 2001 (€ 2.4 million). The net income totals € 1.65 million. For the first quarter, earnings per share amount to € 0.15 following € 0.13 per share a year ago. This is in line with the pro rata forecast.

By division, the following picture results: The UV disinfection division achieved an EBITDA of € 2.7 million (Q1 2001: € 2.4 million) and a net income of € 1.45 million (Q1 2001: € 1.3 million). For the ozone oxidation division the current figures for the quarter are € 1.9 million for EBITDA and € 0.20 million for net income. The goodwill of € 34.2 million, resulting from the purchase of the ozone companies in February this year, negatively impacts the ozone division's net income for Q1, with an amount of € 0.57 million for goodwill amortization.

Sales: strong demand for UV and ozone technology

All companies reported increasing growth for both UV disinfection systems as well as systems for ozone oxidation in the first three months of the new financial year. The Polish subsidiary of WEDECO will supply the country's largest UV system for drinking water for the water supply of the city of Danzig. The Spanish subsidiary WEDECO Rex is supplying an ozone system for the Toledo municipal water-works for the processing of the city's drinking water. WEDECO Rex will also supply a UV waste water disinfection system for the Torroella de Montgri water treatment plant

Sales by products and services:

	Jan 1 to Mar 31, 2002	Jan 1 to Mar 31, 2001
	€ 000s	€ 000s
Systems	21,125	10,411
After sales	6,768	3,676
	27,893	14,087

Sales by countries (address of customer)

	Jan 1 to Mar 31, 2002	Jan 1 to Mar 31, 2001
	€ 000s	€ 000s
USA	6,220	2,913
Germany	6,117	3,351
Great Britain	3,319	1,741
Switzerland	1,080	1,201
Italy	1,029	781
France	885	834
Spain	687	380
Austria	511	366
Australia	388	91
Poland	254	129
New Zealand	248	667
Other	7,155	1,633
	27,893	14,087



UV disinfection system B220



WEDECO UV System Type B with Spektrotherm® lamp technology

where the disinfected waste water is subsequently used for agricultural irrigation. British Rail is being supplied with 45 WEDECO UV systems for disinfecting drinking water in their bistro cars.

In the USA the pace of the move away from chemical water treatment methods is accelerating. WEDECO's UV and ozone technologies stand an excellent chance of gaining further market share due to their technological edge and their benefits over traditional treatment methods, which are becoming increasingly obvious.

In Korea WEDECO Sung Jin has submitted offers for more than 300 water treatment plants across the whole country. This activity is

connected with the declared intention of the Korean government to equip all water treatment plants of the country with disinfection stages over the next few years. The potential order value is worth approximately € 70 million.

In China the first UV waste water disinfection system was of the water treatment plant of the city of Chongqing and was taken into operation on March 20. More than 100 further systems are currently being planned along the Yangtse and the Three Gorges Dam; the system in Chongqing is of particular strategic importance for the award of these orders.

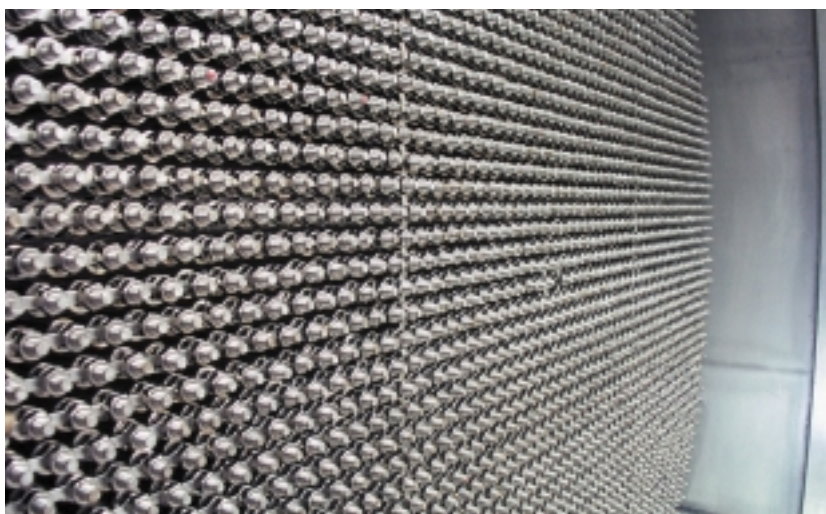
WEDECO also has a good reputation in Japan. In February, an order for € 1.5 million for paper bleaching with ozone was signed for Yatsushiro, part of the Nippon Paper Group.

Consolidated Profit and Loss Account

	Jan 1 to Mar 31, 2002	Jan 1 to Mar 31, 2001
	€ 000s	€ 000s
Revenue	27,893	14,087
Cost of sales	-15,855	-7,423
Gross profit	12,038	6,664
Selling expenses	-3,867	-2,451
General and administrative expenses	-2,788	-1,210
Research and development expenses	-1,253	-744
Other operating income	128	170
Other operating expenses	-968	-322
Operating profit (EBIT)	3,290	2,107
Interest and similar income	21	22
Interest and similar expenses	-477	-161
Net interest	-456	-139
Profit from ordinary activities	2,834	1,968
Taxes on income	-1,188	-694
Net profit before minority interest	1,646	1,274
Minority interest	1	0
Net profit attributable to the Group	1,647	1,274
Earnings per share in €	0.15	0.13
EBITDA in € 000s	4,613	2,428

Balance sheet and cash flow statement: ozone integrated

As a result of the initial consolidation of the ozone division, the quarterly balance sheet as of March 31, 2002 is only comparable with the figures of December 31, 2001 to a limited degree. In particular, the inclusion of ozone according to IAS purchasing accounting is preliminary. The key changes resulted from the positions on the assets side, with intangible assets, with goodwill and inventories, and on the liabilities side in the positions of long-term and short-term liabilities, which contain the remaining purchase price of € 23 million for the ozone area. The first purchase price installment for the WEDECO Gesellschaft für Umwelttechnologie mbH of € 16 million was already paid at the beginning of March.



Open ozone generator

Overall, the final purchase price for ozone technology totalled € 39 million, approximately 76% of the company value of € 51.1 million, determined by the expertise of the auditors Warth & Klein. The remaining purchase price is due to be paid in three further instalments.

Group Balance Sheet

Assets	Mar 31, 2002	Dec 31, 2001
	€ 000s	€ 000s
Non current assets		
Intangible assets	8,603	609
Goodwill	52,471	18,592
Property, plant and equipment	7,118	4,341
Deferred tax asset	2,672	887
	70,864	24,429
Current assets		
Inventories		
Raw materials and supplies	19,637	11,042
Work in progress	25,053	10,946
Finished goods and merchandise	4,352	2,099
Advance payments	5,003	664
	54,045	24,751
Receivables and other assets	26,184	22,359
Cash and cash equivalents	5,736	23,115
	85,965	70,225
	156,829	94,654
Shareholders' equity and liabilities	Mar 31, 2002	Dec 31, 2001
	€ 000s	€ 000s
Shareholders' equity		
Subscribed capital	10,995	10,995
Capital reserves	46,070	45,856
Treasury shares	-1,036	-886
Retained earnings	13,137	11,490
	69,166	67,455
Minority interest	448	0
Non current liabilities		
Financial liabilities	9,633	1,062
Pension provisions	318	318
Other liabilities	1,798	1,535
	11,749	2,915
Current liabilities		
Advance payments	15,007	4,157
Trade accounts payable	9,778	8,024
Financial liabilities	8,846	29
Tax accruals	7,467	3,885
Other accruals and provisions	5,259	2,905
Other liabilities	29,109	5,284
	75,466	24,284
	156,829	94,654

Research and Development: innovation in both divisions

As market leader in two innovative operating areas, WEDECO views research as an important investment in the future. This applies not only to the continuous improvement of components, but particularly to system optimisation. In addition, there are new opportunities resulting from the discovery of further harmful organic and inorganic water constituents, and the development of combination methods of UV and ozone technology.

Joint research work by the two divisions is targeting issues such as the reduction of chloramines and trihalogenmethanes in public swimming pools and a refinement of a combination system to eliminate substances in waste water that are persistent or affect the endocrine system.

Organisation and Administration: two divisions in future

UV disinfection and ozone oxidation are managed as independent divisions. Ongoing advantage is taken of synergies in sales, service and administration. The reporting structures of the Ozone division and accounting according to IAS have been adjusted to the standards of the UV division.

Consolidated cash flow statement

	Jan 1 to Mar 31, 2002	Jan 1 to Mar 31, 2001
	€ 000s	€ 000s
Net profit (before minority interest)	1,647	1,274
Amortisation of goodwill	917	283
Depreciation on other intangible assets and property, plant and equipment	456	172
Taxes paid	-185	-154
Reduction of negative goodwill	-50	-134
Interest expense	-419	-139
Exchange losses	-136	293
Increase/decrease of accruals and provisions	-407	873
Increase/decrease of deferred taxes	-43	167
Increase of inventories, receivables and other assets	-6,735	-8,026
Increase of trade accounts payable and sundry other liabilities	2,422	5,523
Cash flow from operating activities	-2,533	132
Expenses for acquisitions	-39,519	-5,888
Cash payments to acquire property, plant and equipment and intangible assets	-429	-1,126
Cash flow from investing activities	-39,948	-7,014
Purchase/transfer of treasury shares	-150	806
Increase of reserves	214	207
Increase of financial liabilities	0	4,650
Increase of liabilities for acquisitions	23,000	0
Repayment of financial liabilities	-1,443	0
Cash flow from financing activities	21,621	5,663
Change in cash funds	-20,860	-1,219
Changes in companies included in consolidation	3,481	0
Cash and cash equivalents at January 1	23,115	3,621
Cash and cash equivalents at March 31	5,736	2,402

Personnel: new jobs

In Q1 2002 the WEDECO Group employed an average of 707 staff. Of these 448 (Q1 2001: 378) work in the UV disinfection division and 259 in the new division ozone oxidation.

Outlook: solid expansion

On May 29, the Management Board and the Supervisory Board will report on their activities in the 2001 financial year from 11.00 am at the third WEDECO AG Annual General Meeting in Düsseldorf, Congress Center Ost. On this occasion interested shareholders will obtain a deeper insight into the new division ozone oxidation. The high order book of € 70.3 million and the continuing strong demand confirm the planning.

Düsseldorf, May 14, 2002

The Management Board