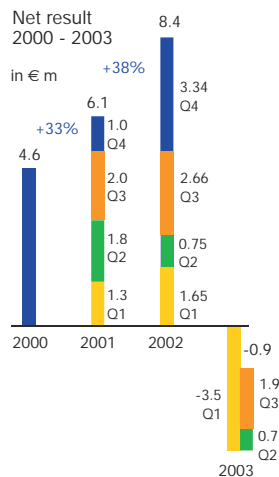
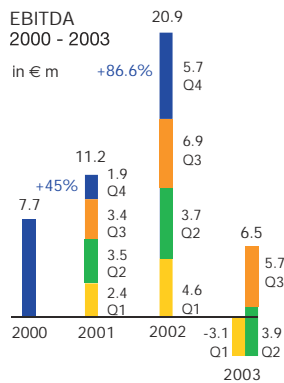
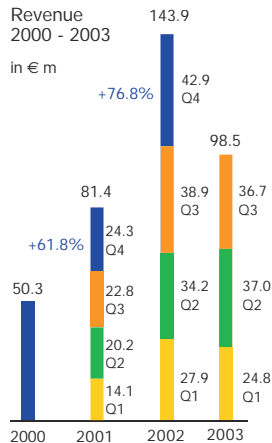


Water = Life

9-Month Report
January 1 to September 30, 2003

9-Month Report January 1 to September 30, 2003



Revenue and business development: Remaining positive

In the third quarter of 2003, WEDECO generated consolidated revenue of € 36.7 million. Combined with revenue of € 61.8 million from the first half of 2003, total revenue of € 98.5 million were generated in the first nine months of the current financial year. This represents a slight decline of services invoiced against the first nine months of the previous year (€ 101.0 million). On a like-for-like basis in comparison to the previous year, i.e. taking into account the disposal of the Solar business, which contributed € 6.5 million to group revenue in the first nine months of the previous year, the first-time consolidation of Trailligaz, the Hungarian WEDECO Kft., now only consolidated at equity and the depreciation of the dollar in comparison to the euro, there was a 3.4% upturn in revenue.

In the UV Disinfection segment, including the spare parts and service business, revenue of € 55.1 million was generated in the first nine months. Despite the continuation of the poor industrial business, this is 4.7% more than in the previous year (€ 52.6 million).

In the first nine months of the current financial year, the Ozone Oxidation segment including services generated € 43.4 million. This represents a 3.6% increase on the first nine months of the previous year (€ 41.9 million). These figures also include, for the first time, revenue from Trailligaz, France, which has been included in the WEDECO scope of consolidation since 1 July 2003.

At the end of September 2003 the order backlog was € 62.6 million (prior year: € 63.7 million), some € 30.8 million of which will be generated as revenue in the fourth quarter of 2003. The ongoing sales of small devices, service and spare parts business and further expected incoming orders for projects and systems resulting from a total current quotation volume of more than € 800 million for UV and Ozone Systems will contribute to some € 61.5 million turnover in the traditionally strong fourth quarter. From today's perspective, the projected revenue target of € 160 million for the whole year will be achieved.

Cost of sales and gross margin: margin stabilizing

The margin level of the current year – between 32.3% and 33.3 % in the last quarterly reports – stabilized at 33.5% in the third quarter. In the first nine months of the year, a gross profit of 32.7% was generated. Previous experience values indicates a considerable improvement of the margin for the fourth quarter, as higher sales revenue are generated on firmly fixed costs.

Sales: orders for both technologies from all regions in the world

The English subsidiary, WEDECO UV Systems plc. received an order from Yorkshire Water Services to supply an UV wastewater disinfection system for the Withernsea water treatment plant on the East Coast of England. Once again WEDECO was awarded the contract on the basis of the low operating costs, the comprehensive local maintenance service, the convincing technical support which WEDECO has demonstrated on a large number of systems already installed in Great Britain in conjunction with the well known and high reliability levels of the systems. The UV system for

Withernsea is already the eighth consecutive system which Yorkshire Water Services has commissioned from WEDECO.

According to the operators, all the UV systems supplied and installed by WEDECO for Yorkshire Water Services within the last four years have met the legal expectations. They reliably disinfect municipal wastewater before it is discharged to coastal waters.

In Great Britain the demand for small UV systems (Aquadada series) has developed in a very pleasing fashion. To the year end, some 1,200 units will have been sold, four times more than a year ago.

Sales by products and services

	Jan 1 to Sep 30, 2003	Jan 1 to Sep 30, 2002
	€ 000s	€ 000s
Systems	72,919	81,196
After sales	25,611	19,815
	98,530	101,011

Sales by countries (address of customer)

	Jan 1 to Sep 30, 2003	Jan 1 to Sep 30, 2002
	€ 000s	€ 000s
Europe	59,430	64,521
North- and South America	27,993	22,541
Asia/Pacific	10,845	13,596
Africa	262	353
	98,530	101,011



Opening of the new North American WEDECO headquarter in Charlotte / USA

Consolidated Profit and Loss Account

	Jan 1 to Sep 30, 2003	Jan 1 to Sep 30, 2002	July 1 to Sep 30, 2003	July 1 to Sep 30, 2002
	€ 000s	€ 000s	€ 000s	€ 000s
Revenue	98,530	101,011	36,736	38,939
Cost of sales	-66,263	-62,822	-24,436	-24,108
Gross profit	32,267	38,189	12,300	14,831
Selling expenses	-14,986	-13,595	-5,246	-5,004
General and administrative expenses	-11,408	-8,494	-3,202	-3,016
Research and development expenses	-4,790	-4,636	-1,660	-1,626
Other operating income	4,223	2,018	1,702	1,395
Other operating expenses	-4,763	-3,341	-375	-1,456
Operating profit (EBIT)	543	10,141	3,519	5,124
Interest and similar income	132	234	42	23
Interest and similar expenses	-1,853	-1,514	-593	-628
Income from associates	5	0	5	0
Net interest	-1,716	-1,280	-546	-605
Result from ordinary activities	-1,173	8,861	2,973	4,519
Taxes on income	495	-3,832	-881	-1,891
Net result before minority interest	-678	5,029	2,092	2,628
Minority interest	-174	32	-171	27
Net result attributable to the Group	-852	5,061	1,921	2,655
Basic earnings per share in €	-0.08	0.46	0.17	0.24
Diluted earnings per share in €	-0.08	0.46	0.17	0.24
EBITDA in € 000s	6,539	15,179	5,749	6,915

In Singapore WEDECO obtained a very promising order for the supply of three UV systems of the new BX series from Hydrochem Pte. Ltd., one of the largest water utilities in Singapore. The BX systems disinfect the so-called high-quality NEWater produced in the Seletar water works. NEWater is the term given to waste water purified and processed according to particularly stringent directives. Part of this water is fed into the local drinking water reservoir to support the provision of drinking water. From

this reservoir, conventional waterworks then produce high-quality drinking water. In the next few years, the NEWater project will play a decisive role in lowering the dependency of Singapore on external water supplies, for example, from Malaysia.

In Australia, WEDECO AVP Pty. Ltd. was awarded a large UV project by United Utilities Australia Pty. Ltd., one of the leading private Australian water utilities. This order covers the supply, installation,

commissioning and maintenance of five TAK systems and three closed LBX reactors. These UV systems subject the surface water used at six drinking water plants to an intensive disinfection process. The order value is approximately € 1.7 million.

Demand for state-of-the-art WEDECO ozone technology remains unabated. With the commission from the Little Cottonwood waterworks near to

Salt Lake City, the North American subsidiary, WEDECO Ozone Technologies, Inc. (earlier: PCI-WEDECO Environmental Technologies, Inc.) has further consolidated its leading position on the North American market. From 2004, two large ozone generators at the Little Cottonwood waterworks will process more than 23,500 cubic meters of drinking water an hour in an environmentally friendly manner. The order value was in the range of € 1.0 million.

A leading company in the pulp and paper industry ordered a large ozone container system from WEDECO. The ozone system with an order value of over USD 1 million produces 60.5 kilograms of ozone per hour and is used for environmentally friendly paper bleaching and for decolorizing industrial process water. Using ozone instead of the previously deployed chlorine compounds allows a decisive reduction of the pollutant emission of chlorinated compounds. This is the first large ozone system deployed in the USA for bleaching paper and cellulose.

WEDECO's new French subsidiary, Trailgaz Ozone S.A.S., received an order to supply a large ozone system for processing drinking

water from the Peking-based Headway Co., a company specializing in planning water works. The Nanxing waterworks processes more than 4,300 cubic meters of drinking water an hour for the city of Hangzhou. In the process of modernizing the water works, the system is to implement a preozonation of the untreated water, thus making a considerable contribution to the improvement of the quality of the drinking water.

Administration and Controlling

For comparative purposes, the general administrative expenses should be adjusted for the non-

recurring costs of € 3.0 million resulting from the merger negotiations with a competitor. On this adjusted basis, administration costs both in absolute terms and relative to revenue are virtually unchanged in comparison to the first nine months of the previous year.

The relocation of the two North American companies to a new joint site in Charlotte, North Carolina, were concluded in the course of the third quarter, with the opening celebrations taking place in October.



Research and Development: UV and Ozone technology at WEDECO cope with increasing demands

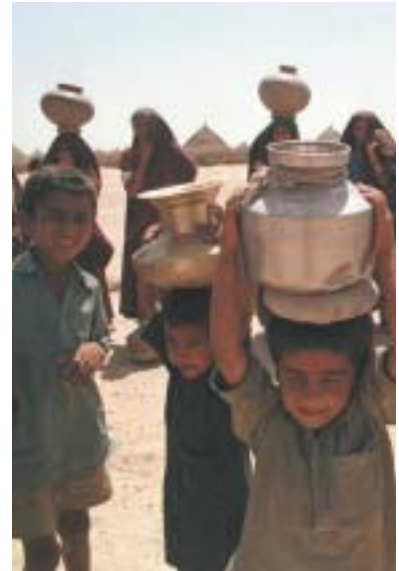
In the first nine months of the financial year, expenses for research and development at € 4.8 million made up 4.9% of revenue, after 4.6% in the comparable period of the previous year.

The focus of the research and development work was device development, evaluation test series and primarily pilot tests. For example, WEDECO conducted pilot tests and evaluation for Veolia, formerly Vivendi. The successful TAK 55 unit for wastewater disinfection was used. Large German cities also showed interest in wastewater disinfection, successfully testing a WEDECO TAK 55 in recent weeks.

An important impetus for sales was the conversion of the B series to the new BX and LBX UV reactors. In this area, there were not only various technical upgrades, but also an increase in flow rate volumes.

The central elements of product and process optimization related to the reduction of product variety and the reduction of the number of components by utilizing identical components in different products. At the same time, the requirements on local and specific markets are still met. This has resulted in shorter production times, more rapid availability, lower warehouse costs and a defined product range.

In Portland, USA, extensive drinking water tests were concluded with the K143 reactor. WEDECO's new TAK 55 HP was tested for the reuse of water in



Californian Rosewell. From the beginning of the year, WEDECO was the first company worldwide which met the newly drafted and more stringent requirements of the Californian Title 22. Now WEDECO demonstrated that the new TAK 55 HP also successfully passed the relevant qualification tests for a considerably broader application spectrum. WEDECO has thus again widened the technological advantage against other UV competitors.

Work has continued on eliminating endocrine disrupters with the Ozone/UV combination for which WEDECO has applied for a patent. In this connection, particular attention should be drawn to the latest results of the European research project "Poseidon". At a



symposium WEDECO's treatment was rated as particularly suitable in comparison to other technologies such as activated carbon and membrane filtration. The low costs of WEDECO technology attracted particular attention. In general, it is a factor of 10 below the costs of other methods. This should open up new market opportunities for WEDECO in the future. As a result of the insights gained, initial contacts in Germany and other European countries have been established with operators of water treatment plants in order to advance the concrete implementation of the technology in practice. One of the world's largest pharmaceutical companies has ordered a large system in order to gain initial information on solution possibilities in this area which is so important to human health. Furthermore, WEDECO has also initiated initial research cooperations in the USA, where the discussions are intensive as in Europe. Contacts were established at a recent Ozone conference with the operators of the Southern Nevada Water District in Las Vegas.



Other operating expenses and income

Other operating expenses predominately relate to current losses and amortization of goodwill, while other operating income chiefly contains currency gains.

Financial result

After nine months, the financial result is € -1.7 million. This relates predominately to interest for long-term loans.

Result: on track for the annual target

In the third quarter, a positive EBIT of € 3.5 million was generated. The good earnings development of the second quarter was thus continued.

EBIT for the first nine months is also positive, at € 0.5 million, an improvement on the figure to the end of June which was € -3.0 million.

During the year, EBITDA developed as follows: in the first quarter € -3.1 million was posted, in the second quarter € 3.9 million and in the third quarter € 5.7 million. As at the end of September 2003, EBITDA was thus € 6.5 million (prior year: € 15.2 million). The decline against the previous year includes € 3.0 million extraordinary, non-recurring expenses for the negotiations on a possible company merger, broken off in spring. After € -3.5 million in the first quarter and € 0.7 million in the second quarter, net income in the third quarter 2003 was € 1.9

million. After three quarters, WEDECO is thus posting a consolidated loss of € 0.9 million, after a profit of € 5.1 million in the previous year. Before one-off charges, the current pro rata group annual result is € 1.0 million after € 5.0 million at the end of September 2002. The current earnings per share figure is € -0.08 after € 0.46 in the previous year.

Cash flow: record cash flow plus € 3.9 million

At € 3.9 million, cash flow from operating activities in the first nine months of the current financial year is very positive. This figure is the highest cash flow ever generated in the first nine months of a year. One year ago, the figure was € -7.0 million. This considerable increase of cash flow from current operating activities is the result of rigorous management of working capital.



Balance sheet: initial consolidation of Trailgaz

As of September 30, 2003 the balance sheet included for the first time the position from the acquisition of the French Trailgaz by means of a contribution in-kind as well as the minority position held by the Veolia Group. As a result of the balance sheet positions assumed from the new Trailgaz, there were considerable increases on the assets side, primarily in inventories and receivables and other current assets. On the liabilities side, the main increases were advance payments received, provisions and trade payables. As of September 30, 2003 Trailgaz transfers assets to the group to the order of € 15 million. However, the group balance sheet total only increases by some € 7 million to the end of the third quarter.

With the new minorities position of the Veolia Group, WEDECO Kft., Hungary, is now only posted at equity as an associated company in the balance sheet.

Other material changes in the balance sheet resulted from a considerable reduction in other liabilities, due to the full payment of the purchase price for the Ozone division. This was financed by increased financial liabilities.

Consolidated Balance Sheet

Assets	Sep 30, 2003	Dec 31, 2002
	€ 000s	€ 000s
Non current assets		
Intangible assets	10,193	10,997
Goodwill	48,619	51,220
Property, plant and equipment	6,498	6,903
Investments in associates	296	0
Deferred tax asset	3,955	2,314
	69,561	71,434
Current assets		
Inventories		
Raw materials and supplies	16,847	11,296
Work in progress	33,068	22,120
Finished goods and merchandise	3,888	3,267
Advance payments	427	81
	54,230	36,764
Receivables and other assets	28,571	34,333
Cash and cash equivalents	4,390	7,301
	87,191	78,398
	156,752	149,832
Shareholders' equity and liabilities	Sep 30, 2003	Dec 31, 2002
	€ 000s	€ 000s
Shareholders' equity		
Capital stock	11,004	10,995
Capital reserves	44,095	44,856
Other comprehensive income	-978	-562
Retained earnings	19,028	19,880
	73,149	75,169
Minority interest	1,411	657
Non current liabilities		
Financial liabilities	25,942	25,977
Pension provisions	518	495
Other liabilities	1,616	1,064
Deferred taxes	3,357	2,757
	31,433	30,293
Current liabilities		
Advanced payments from customers	2,940	865
Trade accounts payable	18,018	12,396
Liabilities to associates	48	0
Financial liabilities	12,715	3,099
Tax accruals	3,472	3,988
Other accruals and provisions	9,888	8,118
Other liabilities	3,678	15,247
	50,759	43,713
	156,752	149,832

Consolidated Cash Flow Statement

	Jan 1 to Sep 30, 2003	Jan 1 to Sep 30, 2002
	€ 000s	€ 000s
Net loss/profit attributable to the group	-852	5,061
Amortization of positive goodwill	2,849	2,803
Disposal of negative goodwill	-147	-150
Depreciation on other intangible assets and property, plant and equipment	3,294	2,384
Taxes paid	-1,062	-2,115
Interest paid	519	93
Exchange rate differences	-429	-264
Change of accruals and provisions	432	5,429
Result on disposal of non current assets	-5	0
Change of deferred taxes	-812	-832
Change of inventories, receivables and other assets	-7,546	-6,173
Change of trade accounts payable and other liabilities	7,661	-13,208
Cash flow from operating activities	3,902	-6,972
Acquisition of business, net of cash acquired	-623	-35,997
Cash proceeds on disposal of non current assets	114	0
Cash payments to acquire property, plant and equipment and intangible assets	-3,834	-2,141
Cash flow from investing activities	-4,343	-38,138
Capital increase from stock options	117	0
Other changes in reserves	-77	0
Change of treasury shares	0	608
Change of companies included in the consolidation	-951	0
Change of other assets from the disposal of business	4,763	0
Change of liabilities for acquisitions	-16,000	23,000
Change in financial liabilities	9,678	2,496
Cash flow from financing activities	-2,470	26,104
Change in cash funds	-2,911	-19,006
Cash and cash equivalents at January 1	7,301	23,115
Cash and cash equivalents at September 30	4,390	4,109

With stock options from the 1999 Stock Options Program being exercised, the capital stock increased from € 000s 10,995 to € 000s 11,004.

After the consolidation of Trailigaz, the equity ratio changed from the figure at the end of June of 50.5% to 46.7%.

Human Resources: changes in the scope of consolidation

In the first nine months of the current financial year, the WEDECO Group worldwide employed an average of 734 staff, including the new Trailigaz staff, but minus the employees at WEDECO Kft. which are no longer consolidated.

On average 511 persons worked in the UV segment (prior year: 525) and 223 in the Ozone segment (prior year: 207).

Consolidated Statement of Changes in Shareholder's Equity

	Jan 1 to Sep 30, 2003	Jan 1 to Sep 30, 2002
	€ 000s	€ 000s
January 1	75,169	67,455
Capital increase from stock options	117	0
Change in treasury shares	0	610
Share price guarantees	-77	0
Exchange rate differences	-257	-632
Changes in companies included in the consolidation	-951	0
Net result for the period	-852	5,061
September 30	73,149	72,494

Segment information

	Jan 1 to Sep 30, 2003		Total
	Water UV	Water Ozone	
	€ 000s	€ 000s	€ 000s
Revenue	55,130	43,400	98,530
EBITDA	1,623	4,916	6,539
Operating profit (EBIT)	-664	1,207	543
Number of employees	511	223	734
Order backlog	22,151	40,451	62,602



Outlook: 2003 targets will be met

In view of the improving profitability of the company during the year and increasing demand for state-of-the-art technologies in water processing, the 2003 targets are being reaffirmed: € 160 million revenues and € 6.0 million net income.

In terms of outlook, the high order volume results in an optimistic assessment for the targets of next year (revenue € 175 million and net income € 10.5 million). With the relocation of the two American companies to the new site in Charlotte, North Carolina now completed, the North American employees can now concentrate on the strongly growing American business. In modern production plants, they have optimally designed production conditions. The enthusiasm of employees, local management, representatives of many municipal and industrial customers and guests from politics and business at the official opening will add further impetus.

The present quarterly financial statements of WEDECO for the first nine months of the 2003 financial year are in line with International Financial Reporting Standards (IFRS) and the regulations on interim reporting according to International Accounting Standard 34. The same accounting and valuation methods were used as in preparing the annual consolidated financial statements as of 31 December 2002.

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