

**Hydrodec Group plc**  
("Hydrodec", the "Company" or the "Group")

**Japanese Strategic Alliance Agreement and Construction of First Plants**

The Board of Hydrodec, the renewable oil company, is pleased to announce an important agreement with its Japanese partner, Kobelco Eco-Solutions ("KES") of the Kobe Steel Group, for a 50/50 joint venture to exploit the Hydrodec technology in Japan and across the wider East Asian market. This represents a major strategic breakthrough for the Company following the recent approval of the Hydrodec technology by the Japanese Ministry of the Environment.

Neil Gaskell, Chairman of the Company, commented *"This is the most significant development in Hydrodec's history. We are delighted, after two years of complex negotiation, to have reached this strategic alliance with Kobelco. The agreement's extension to multiple plants and other territories illustrates the market place for the Hydrodec technology. I look forward to completing the signing formalities in Japan later this month."*

**Highlights**

- Japan
  - Strategic Alliance Agreement finalised for exclusive 50/50 joint venture covering not only Japan but also South Korea, Taiwan, China, India and Vietnam
  - The market for Hydrodec's technology in Japan is of the same scale as the US market and the technology is the only one approved to re-refine polychlorinated biphenyl ("PCB") contaminated material
  - First Japanese plant to be constructed by 2012. Second site identified and both expected to achieve equivalent scale to the existing Canton plant. Sites adjacent to substantial inventory of PCB contaminated material
  - Hydrodec's share of development and construction costs and working capital will be financed by debt secured on the project
- Operations
  - Australian and US plants operating well
  - Planned key customers in US purchasing SUPERfine production
  - US trading conditions remain challenging
- Organisation
  - Recruitment of new COO with 30 years oil and gas experience with BP, Shell and Chevron
  - Appointment of strategic adviser for global development programme

## ***Japan***

The Strategic Alliance Agreement (“SAA”) documents the financial and operational parameters under which the exclusive 50/50 joint venture will be established to commercially exploit all Hydrodec technology applications and operations in a region covering Japan, South Korea, Taiwan, China, India and Vietnam. The parties have reached final agreement on the SAA which will be signed in Japan later this month.

The SAA provides for construction of the first plant in Japan by 2012. Hydrodec’s share of development, construction and working capital costs are to be financed by debt secured on the joint venture projects.

There are two preferred sites identified for the location of the first plants which have been chosen for their proximity to substantial PCB contaminated material and compatibility with local approval requirements. In each case the plant is likely to achieve similar scale to that of the Company’s existing plant in Canton, Ohio and would be predominantly supplied with PCB contaminated feedstock.

The market for Hydrodec’s approved technology in Japan is likely to be of the same scale as that of the USA. The technology holds an exclusive position enabling the joint venture to process the substantial inventory of PCB contaminated material and sell the resulting re-refined transformer oil into the market.

The alliance with KES combines the unique Hydrodec technology with a respected multinational engineering group with a major operational presence in Japan and the East Asia market place. The Board believes this will provide the platform for accelerated growth of Hydrodec in the transformer oil and PCB treatment markets and accelerated entry into other projects and markets outside transformer oils.

## ***Trading update***

As previously announced, sales of SUPERfine increased in the fourth quarter of 2009 (4.4m litres), significantly exceeding those of the third quarter (3.7m litres). Production in the fourth quarter continued to comfortably meet demand and also exceeded that of the third quarter.

The plants continue to operate well and the Group has met all contracted sales demand. Margins have shown modest increases in the first quarter of 2010 over the final quarter of 2009 largely due to continued improvements in commercial operations, but across the industry remain at historically low levels.

The Australian operations are currently broadly in line with expectations for sales and production volumes. Availability of feedstock at acceptable prices has constrained US sales above contracted levels. This has resulted in slower than expected sales volumes for the first two months of the year and the sales outlook for the Group for the first quarter of 2010 is broadly in line with that of the fourth quarter of 2009.

The Group’s working capital position has been affected by lower than anticipated sales and margins from December to February and reduced trade credit terms from certain US feedstock suppliers. The Board is confident that it can implement appropriate remedial action as necessary and a number of financing options to support the development and working capital requirements of the business are progressing.

### ***Recruitment of new COO***

The Company has successfully recruited a Chief Operating Officer who will be responsible for all aspects of the Group's transformer oil operations including feedstock procurement, sales and plant operations with effect from mid April. With over 30 years operational experience in marketing, including lubricants, with BP, Shell and Chevron, the Board believe that this important addition to the management team will bring significant strength, expertise and industry contacts as the Company enters its next phase of global growth.

### ***Appointment of strategic adviser***

The result of the breakthrough agreement with KES is a major step towards the expansion of Hydrodec into a global business. The Board is pleased to announce the appointment of Moss Capital who is an Australian based financial advisory group with especially strong connections to the Asian market and therefore ideally placed to advise the Board on its development and the financial structure required to deliver this potential.

### **Investor/analyst conference call**

Hydrodec will hold a conference call for investors today at 2:30 p.m. (GMT). The dial-in details of the call are as follows: UK freephone: 0808 109 0700; US freephone: +1 866 966 5335; International: +44 203 003 2666

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