

19 July 2010

Hydrodec Group plc
(“Hydrodec” or the “Group”)

Trading Update

The Board of Hydrodec Group plc, the cleantech industrial oil refining group (AIM:HYR), is pleased to provide the following trading update.

Highlights

- Record quarterly sales volumes of SUPERfine, up 79% on Q1 2010 and up 36% on previous high in Q4 2009
- Improving sales and good operational performance leading to improved cash generation
- Appointment of Finance Director and Chief Operating Officer to the Board

Group SUPERfine sales volumes for the second quarter set a new quarterly record at 6.0m litres, a substantial improvement over a difficult first quarter (3.4m litres), and a significant increase over the previous quarterly high (4.4m litres in fourth quarter of 2009). Revenues also rose to a record of US\$4.7m during the quarter.

This improving performance in sales volumes was driven by continued increasing demand for SUPERfine due to growing market acceptance, supported by good operational reliability in both Canton and Young. As announced previously significant purchase orders were secured from a major new US original equipment manufacturer customer. This has provided an important validation of SUPERfine’s qualities, leading to the development of a more robust customer base that is purchasing SUPERfine for its environmental advantages, price competitiveness and/or proven technical superiority. Improved financial controls and monitoring have also aided performance.

Sales prices in the second quarter improved modestly but feedstock purchase costs matched this such that unit margins did not increase. Nevertheless good sales volumes and strict cost control meant that cash generation during the quarter exceeded the Board’s internal forecast at the start of the quarter. As a result the Group closed the quarter with a small cash surplus after paying the loan note interest in June. The current outlook for the rest of the year for WTI (West Texas Intermediate), from which a proportion of SUPERfine sales prices are derived, is that it will remain in the US\$75-US\$85 per barrel range which is lower than was generally forecast earlier in the second quarter. The Board’s own forecast now assumes that any increase in sales prices will largely derive from planned improvements in the Group’s customer portfolio rather than increases in WTI.

The focus of the operations team for performance improvement is now turning to reducing average feedstock cost and diversifying availability for Canton. Initial progress has been encouraging and a programme of further improvements is being actively pursued with the aim of improving feedstock pricing and supply consistency to support the increased sales demand during the second half of the year. Early in July the Group experienced a sudden spike in feedstock prices and reduction in availability in the US market which will mean July

volumes are lower than targeted. This cost increase is already moderating and management expects that it will prove to be temporary.

The US Environmental Protection Agency approval to treat PCB contaminated feedstock is anticipated before the end of the year and the Group is in the process of identifying sources of contaminated material such that it may benefit from the associated margin improvement at the earliest opportunity. A statutory bond of about US\$0.4m will have to be posted before finalisation of the approval and currently cash will be needed to fund this, although the payback will, of course, be extremely fast.

Despite the strongly improved underlying performance, the near-term sales price outlook and current short term feedstock constraints mean that the year-end cash position may not improve as much as previously expected. Accordingly, whilst working capital headroom remains satisfactory at present the Board is implementing additional performance improvement programmes in both operations and sales in order to minimise the risk of a working capital shortfall at the year end. The Board will continue to keep the position under review during the current quarter.

Board changes

Finally, the Board is pleased to announce the appointment of Stephen Harker and Paul Manchester to the Board, with effect from 21 July 2010. Stephen Harker was appointed Chief Operating Officer in April 2010 and he has already overseen a number of new initiatives which have resulted, or are expected to result, in further improvements in operational performance. Paul Manchester was originally appointed as Chief Financial Controller in September 2009 before assuming the role of Chief Financial Officer in January 2010. He has greatly improved financial controls and financial reporting, budgeting and forecasting within the Group and the Board are confident that he will ably fill the role of Finance Director.

At the same time John Cowan, who has served as Executive Director, Business Development since September 2007, will stand down from the Board in order to devote his time more fully to the growth and development of the business in North America.

The Chairman of Hydrodec, Neil Gaskell, commented:

“I am delighted that the Group is making good progress, particularly in terms of sales and operational reliability. There are early signs of success in the new feedstock procurement strategy and we expect to see this gather momentum in the coming months.

I would like to welcome both Stephen Harker and Paul Manchester to the Board where I am sure they will continue their strong contributions to the success of the Group. On behalf of the Board I would also like to thank John Cowan for his contribution as a director to the early success of the Group through some very challenging times, in particular the establishment of the Canton plant and of the first major customers in the US.”

For further information please contact:

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The following information on Stephen Harker and Paul Manchester is provided pursuant to AIM Rule 17.

Full name and age: Stephen Harker (53)

Interest in shares: Mr Harker is taken to be interested, for the purposes of the AIM Rules, in 285,183 shares in Hydrodec. Mr Harker also holds options over 500,000 shares in Hydrodec although none are currently vested.

Full name and age: Paul John Manchester (48)

Previous directorship: Mr Manchester was a director of Coastline Surf Australia Pty Ltd until 26/6/08

Interest in shares: Mr Manchester holds options over 500,000 shares in Hydrodec although none are currently vested.