

HYDRODEC GROUP PLC ("Hydrodec" or the "Company")**Trading Update****17 February 2009**

Further to the announcement on 10 February, the Board of Hydrodec has concluded a review of the operations of the Company.

Finance

As announced on 10 February, despite the recent deterioration of the price of transformer oil in the US, used oil feedstock prices have not fallen as quickly. The immediate effect of this margin pressure, combined with the purchase of feedstock, has resulted in the Company having a working capital shortfall of c. £450,000 as at 17th February 2009.

In order to address this situation as soon as possible, the Company has entered into discussions with a commercial bank to secure a general working capital facility. It has also entered into discussions with potential industrial partners and investors in order to secure alternative funding. This will be used to fund the working capital deficit and ensure that the Company is able to operate at a level that ensures continued growth and capitalises upon the platform built over the past 5 years. The Board is confident that with this funding, even given the current low market price for transformer oil, the Company will be able to generate a profit this financial year.

Operational*US sales*

Despite the deterioration of trading conditions in the US, Hydrodec continues to produce and sell *SUPERfine* oil and receive forward purchase orders. On 13 February 2009, the Company concluded an agreement with a major utility company under which it will receive c.1,000,000 gallons per year of feedstock. The oil will be re-refined into *SUPERfine* at the Canton, Ohio plant which is currently operating at approximately 50% capacity, and an equivalent amount sold directly back to the utility or to its nominated transformer equipment manufacturers. The Board believe that this 'closed-loop' supply chain for transformer oil is the first of its kind in the utility industry.

Due to the prevailing market conditions, the Board has decided to place on hold the construction of the Laurel, Mississippi plant until such time as US pricing improves, thereby facilitating financing.

Hydrodec is continuing its US PCB treatment license application, which when received will allow the Ohio plant to take in PCB contaminated feedstock. This is expected to greatly reduce the cost of feedstock.

Australia

The Australian operations continue to trade profitably and generate cash. Furthermore, after extensive testing over the past 12 months, the Company's technology was last week certified by the NSW Department of the Environment under the National Licensing Scheme for use in treating concentrated PCB's under licence conditions that acknowledge the effective zero air emission of the process. The Board believe that this will have important implications for future development of the Company in the US and Japan.

Japan

The development of a joint venture in Japan continues to progress. Final arrangements are underway for technology approval trials in the Company's Young, NSW plant, for the benefit of the Japanese regulator, to take place in May. Final regulatory approval is targeted for late 2009. The Board believes that this represents an important opportunity for the Company which should be pursued, despite the current market conditions.

Market

The current US market continues to suffer from an excess supply of base oils, due to refining industry over production during 2008. These supplies are still working through the market, depressing prices which the Board believes will be a medium term situation.

Summary

Despite the platform that has been built, unprecedented global economic conditions have temporarily affected the US transformer oil market and resulted in the current working capital position. However, with finance in place and attention to cost, the Board believes the Company will be able to deliver a profit to shareholders for the current financial year.

A further announcement will be made when appropriate.

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