25 September 2009

HYDRODEC GROUP PLC ("Hydrodec" or the "Company")

Unaudited Interim Results

Hydrodec Group plc (AIM: HYR) today announces unaudited interim results for the six months ended 30 June 2009.

The unaudited interim results represent the first results where Hydrodec has adopted the US dollar as its presentational currency. The Group's comparative results have been adjusted accordingly.

Highlights

- *Revenue up 10% to USD$4.5 million (2008: USD$4.1 million)*
- *Post period end cash generative following resolution of operational problems at start of year*
- *Consistent production at Canton (c.60,000 litres per day)*
- *Improving sales prices and volumes as acceptance of the Hydrodec technology and SUPERfine product continues to grow*
- *Further progress on our Japanese alliance, a significant growth driver for the future with completion of first site anticipated by 2012*

Hydrodec Chairman, Neil Gaskell, commented: "The Group has had a difficult first half of 2009. The combination of the oil price collapse announced in February and initial operational problems at Canton have resulted in a disappointing operating loss. During the latter half of the period prices started to improve and Canton's operational problems were progressively resolved. During the third quarter good progress has been in made in Canton and overall performance has steadily improved so that we are now generating a positive net cash flow in addition to funding some modest but essential capital expenditure. We are currently operating at or very close to breakeven at the operating profit level, as a result of increasing volumes in both Young and Canton and steadily improving margins in the US, but still at a net loss after non-operating costs.

I am delighted with the progress of our alliance in Japan with Kobelco Eco-Solutions. This is the result of much effort over many months to produce a firm foundation for the Company to pursue its long term expansion into Japan and the neighbouring countries.

Finally, on behalf of myself and the rest of the Board, our thanks go to John Gunn who, as Chairman until July this year, has piloted the Group through the sometimes stormy waters we have faced both earlier this year and before that."

For further information please contact:

Hydrodec Group plc **020 8528 1015**

Neil Gaskell, Chairman

Mark McNamara, Chief Executive

Mike Preen, Company Secretary

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Emma Davis

CHIEF EXECUTIVE'S REPORT

The first half of 2009 has been a difficult operating period resulting in the Group reporting a disappointing operating loss due in part to the steep decline in oil prices at the end of 2008 and the beginning of the year, a longer than anticipated ramp up of the Canton plant and slower sales in the Australian market.

Since the impact of the rapid decline in oil prices was identified and announced to the market in February, there has been some recovery in the pricing though it remains below the levels experienced in 2008**.** In response to this the Company has agreed pricing mechanisms on the purchase of feedstock and sales of SUPERfine that give the Group greater protection against future price fluctuations.

Management has also identified and resolved the operating issues experienced at the Canton plant and it is now operating consistently at approximately 60,000 litres a day. Production for the third quarter of 2009 is expected to be greater than the entire first half of 2009 and all current year production is fully committed to sales. The response to the Company's SUPERfine brand in the US continues to be positive. The Australian operation has developed its market more slowly in the period than had been hoped but the plant has operated well and changes made during the third quarter are beginning to produce improvements so that the potential of the plant can be fully exploited.

The result for the half year has been reported in US dollars, compared with previous reporting in Sterling. The Board has taken the view that the presentational currency for the Group should be US dollars reflecting not only the importance of the US operations to the Group but also that the US dollar is the currency most widely used around the world in oil pricing. The comparative information has been restated to reflect US dollar values.

Results for six months ended 30 June 2009

Turnover for the period increased by 10% over the first half of 2008 to USD$4.5 million (2008: USD$4.1 million), with an overall loss of USD$5.0 million (2008: USD$3.7 million). The operating loss includes USD$1.1 million of depreciation and amortisation (2008: USD$1.0

million). Net assets decreased by 8% to USD $50.4 million (30 June 2008: USD $54.3 million).

Commercial developments

- *USA*

Profitability at the start of the year was significantly affected by the collapse in oil prices which resulted in sales under one contract being temporarily at a loss and others at reduced margins. Since then not only have margins recovered but a much more robust mix of sales contracts has been achieved with greater protection from future oil price movements.

The Canton plant sold 2.7 million litres (*2008: Nil litres*) of SUPERfine during the half year. This was less than expected due to start-up operational issues at the plant. During the half year production was impacted by the failure of some production critical equipment which has now been replaced. The cost of the equipment and the loss caused by the interruption to the operations was insured. The insurance claim has been agreed and Hydrodec has to date received USD $0.5 million and expects to receive a further USD$0.75 million. The claim has been reflected within the first half results.

The plant is now consistently producing approximately 60,000 litres of SUPERfine a day. All SUPERfine produced is being sold at improving prices and during the third quarter of 2009 the plant is expected to produce an operating profit.

Our SUPERfine product continues to be supported by major transformer manufacturers such as Howard Industries as well as major utilities such as Exelon. I would like to thank them for their assistance and support during this period and I hope our partnership will remain strong into the future. We have also recently started selling into Canada and other export markets.

Plans for the second US plant remain on hold, with the Board continuing to assess the options as the business model in the US matures and the ability to access debt funding improves.

- *Japan*

The Company has now reached the position with Kobelco Eco-Solutions, a subsidiary of the Kobe Steel Group, to move forward on building a plant in Japan by 2012 as the first step to entering Japan and neighbouring countries. Kobelco Eco-Solutions and Hydrodec have jointly completed a demonstration of the technology for the Japanese Ministry of the Environment in order to seek regulatory consent to operate the technology in Japan.

- *Australia*

The Australian operation was impacted by trials for Japan and the movement of key personnel to the US to assist with technical issues at Canton, with production slowing to 1.4 million litres for the period (2008: 2.0 million litres). However the plant has operated well and organisational changes made during the third quarter are beginning to produce improvements with an expectation of increasing production and sales in the second half of the year. The pilot plant attached to the Young facility was granted an Environmental Protection Agency (EPA) licence to destroy PCB contaminated material with a concentration of up to 5,000 parts per million (ppm). This licence was granted with no requirement to monitor air emissions. We believe this is the first high level PCB destruction process to be granted a licence based upon nil emissions.

Technology

The patent originally held by CSIRO in respect of the Hydrodec technology (which to date has been licensed globally to Hydrodec) has now been assigned to Hydrodec's Australian operating subsidiary, and that patent shall be re-registered in Hydrodec's name in all relevant jurisdictions.

Placing

Hydrodec performed placings of new shares in February (19,230,114) as well as in June (22,857,153) in order to raise a total of £5.1 million to fund, primarily, the ongoing working capital requirements of the Group.

Disposals

During the period Hydrodec disposed of its condition monitoring business for AUD$0.8 million and the Molectra shares, which were acquired as part of the Virotec acquisition, for £0.3 million. These disposals produced cash without affecting the core business of the Group and neither had a material effect on the Group's results or financial position for the period.

Following the difficulties experienced in the first half of the year, the Board believes that it is no longer possible for the Group to make a full year profit. However, we believe that the Group will be at or about breakeven at an operating profit level for the second half of 2009.

Mark McNamara

Chief Executive

25 September 2009

UNAUDITED CONSOLIDATED CONDENSED INCOME STATEMENT

	6 months to 30 June 2009 USD$'000	6 months to 30 June 2008 USD$'000
Continuing operations		
Revenue	**4,520**	4,064
Cost of sales	**(2,228)**	(989)
	------------------------	----------------------
Gross profit	**2,292**	3,075
Administrative costs	**(6,134)**	(5,637)
	------------------------	---------------------
Operating loss	**(3,842)**	(2,562)
Interest income	**1**	422

Interest costs	**(1,154)**	(1,567)
Loss before tax	**(4,995)**	(3,707)
Income tax expense	**-**	-
Loss for the period	**(4,995)**	(3,707)
Basic loss per share	(2.16)	(2.00)

UNAUDITED CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Loss for the period	**(4,995)**	(3,707)
Exchange differences on translation of foreign operations	**7,740**	903
Total comprehensive income for the period	**2,745**	(2,804)

UNAUDITED CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

	6 months to 30 June 2009 USD$'000	6 months to 30 June 2008 USD $'000
Non-current assets		
Property, plant and equipment	**25,090**	19,506
Goodwill	**3,459**	4,141
Investment - Molectra	**-**	4,440
Other intangible assets	**24,819**	25,822
Prepaid royalty	**4,118**	5,391
	57,486	59,300
Current assets		
Inventories	**587**	211
Trade and other receivables	**2,967**	3,005

Other current assets	**105**	-
Cash and cash equivalents	**4,978**	17,922
	8,637	21,138
Total assets	**66,123**	80,438
Current liabilities		
Trade and other payables	**4,869**	13,162
Short-term provisions	**53**	233
Total current liabilities	**4,922**	13,395
Non-current liabilities		
Long-term borrowings	**7,380**	8,598
Deferred tax liabilities	**3,460**	4,141
Total non-current liabilities	**10,840**	12,739
Total liabilities	**15,762**	26,134
Net assets	**50,361**	54,304
Equity attributable to equity holders of the parent		
Share capital	**2,533**	2,656
Share premium account	**52,853**	47,591
Equity reserve	**16,240**	19,013
Merger reserve	**49,463**	59,189
Treasury reserve	**(44,655)**	(53,085)
Employee benefit trust	**(1,345)**	(1,609)
Option reserve	**5,474**	5,363
Profit and loss account	**(38,093)**	(25,805)
Translation reserve	**7,891**	991
Total equity	**50,361**	54,304

UNAUDITED CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share	Share	Equity	Merger	Foreign exchange	Profit and loss	Share option	Treasury	Employee benefit

	capital	premium	reserve	reserve	reserve	account	reserve	reserve	trust	Total
	$'000	$000	$000	$000	$000	$000	$000	$000	$000	$000
At 1 January 2008	1,922	37,759	18,998	-	306	(22,000)	4,915	-	(564)	41,336
Exchange differences	-	351	15	-	685	(98)	(401)	351	-	903
Loss for the period	-	-	-	-	-	(3,707)	-	-	-	(3,707)
Acquisition	622	-	-	59,189				(53,436)		6,375
Share-based payment	-	-	-	-	-	-	849	-	-	849
Issue of shares	100	9,866	-	-	-	-	-	-	-	9,966
Issue of convertible loan	12	-	-	-	-	-	-	-	-	12
Issue costs	-	(385)	-	-	-	-	-	-	-	(385)
Purchase of shares	-	-	-	-	-	-	-	-	(1,045)	(1,045)
At 30 June 2008	2,656	47,591	19,013	59,189	991	(25,805)	5,363	(53,085)	(1,609)	54,304
At 1 January 2009	2,014	38,506	13,648	43,064	4,992	(28,203)	4,210	(38,878)	(1,170)	38,183
Exchange differences	299	6,336	2,028	6,399	2,899	(4,895)	626	(5,777)	(175)	7,740
Loss for the period	-	-	-		-	(4,995)	-	-	-	(4,995)
Share-based payment	-	-	-	-	-	-	638	-	-	638
Issue of shares	210	8,054	-	-	-	-	-	-	-	8,264
Issue costs	-	(408)	-	-	-	-	-	-	-	(408)
Conversion of loan stock	10	365	564	-	-	-	-	-	-	939
At 30 June 2009	**2,533**	**52,853**	**16,240**	**49,463**	**7,891**	**(38,093)**	**5,474**	**(44,655)**	**(1,345)**	**50,361**

UNAUDITED CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

	Note	**6 months ended 30 June 2009**	6 months ended 30 June 2008
		USD$'000	USD$'000
Cashflows from operating activities			
Loss before tax		**(4,995)**	(3,707)
Depreciation		**584**	488
Amortisation of other intangible assets		**536**	522
Finance costs		**1,153**	1,145
Profit on disposal of assets		**(533)**	-
Share based payment expense		**638**	425
Foreign exchange movement		**(490)**	684
Increase in inventories		**(452)**	53
(Increase)/decrease in amounts receivable		**(113)**	1,467
Increase/(decrease) in amounts payable		**1,419**	(2,290)
Net cash outflow from operating activities		**(2,253)**	(1,212)

Cashflows from investing activities		
Purchase of property plant and equipment	**(1,557)**	(6,325)
Purchase of investment	**-**	(8,195)
Sale of property, plant and equipment	**487**	-
Sale of Investment	**432**	-
Interest paid	**(15)**	(330)
Bank interest and other income received	**5**	399
Net cash outflow from investing activities	**(648)**	(14,450)
Cashflows from financing activities		
Issue of new shares	**8,264**	9,966
Costs of share issue	**(408)**	(385)
Repayment of lease liabilities	**(80)**	(174)
Net cash inflow from financing	**7,776**	9,407
Increase/(decrease) in cash and cash equivalents	**4,875**	(6,255)
Movement in net cash		
Opening cash and cash equivalents	**103**	24,177
Increase/(decrease) in cash and cash equivalents	**4,875**	(6,255)
Closing cash and cash equivalents	**4,978**	17,922

NOTES TO THE UNAUDITED INTERIM REPORT

1 BASIS OF PREPARATION

Hydrodec Group plc is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. Hydrodec Group plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

Hydrodec's consolidated interim financial statements are presented in United States Dollar (USD$), which is also the functional currency of the group.

These consolidated condensed interim financial statements have been approved for issue by the Board of Directors on 24 September 2009.

The interim consolidated financial statements for the six months ended 30 June 2009 have been prepared under applicable International Financial Reporting Standards adopted by the European Union ("IFRS") which include International Accounting Standards and interpretations issued by the International Accounting Standards Board and its committees, which are expected to be endorsed by the European Union. This interim financial information has been prepared on the historical cost basis. The accounting policies applied are consistent with those adopted and disclosed in the annual financial statements for the period ended 31 December 2008.

The financial statements have been prepared on the going concern basis, which assumes that the group will have sufficient funds to continue in operational existence for the foreseeable future.

The group has constructed the Canton, Ohio, plant and is in the process of bringing the plant to full production capacity. Currently, the group is economically dependent upon the ability of this plant to produce sufficient SUPERfine oil at satisfactory margins to sustain adequate cash flow to meet the group's requirements. The Directors are satisfied that at current margins and if production continues at its current levels, the Group's operating cash flow requirements will be met. However, margins are affected by, amongst other things, the world price for oil, about which there is material uncertainty, and which is beyond the control of the Directors.

The Directors believe that it is appropriate to prepare the financial statements on a going concern basis as they believe that the operating parameters outlined above will be met or exceeded. The financial information is unaudited and has not been reviewed by the auditor.

2 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

3 TAXATION

There is no tax charge for the period.

4 EARNINGS PER SHARE

	6 months ended 30 June 2009 USD$'000	6 months ended 30 June 2008 USD$'000
Loss for the financial period	**(4,995)**	(3,707)
	Number of shares	Number of shares
Weighted average number of shares in issue*	**230,755,436**	185,611,148
* The weighted average shares on issue have been reduced by the weighted average number of Treasury and EBT shares held.		
Basic loss per share	**(2.16) cents**	(2.00) cents

5 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	As at 30 June 2009
	No.
Authorised	
Ordinary shares of 0.5 pence each	**800,000,000**
Issued and fully paid - ordinary shares of 0.5 pence each	
At 31 December 2008	**277,824,101**
Issued on conversion of convertible loan notes	**1,973,684**
Issued for cash	**42,087,267**
At 30 June 2009	**321,885,042**

The company issued the following 0.5 pence ordinary shares during the period:

Date of issue	**Number of shares**	**Issue price**	**Total consideration**
			£
20 February 2009	19,230,114	10 pence	1,923,011
12 June 2009	1,973,684	19 pence	375,000
25 June 2009	22,857,153	14 pence	3,200,000
			5,498,011

END