

**TO: CITY EDITORS
FOR IMMEDIATE RELEASE**

27 August, 2008

**BIOQUELL PLC
2008 interim results**

BIOQUELL PLC (“BIOQUELL”), the UK leader in specialist decontamination technology and testing / compliance services, announces its interim results for the six months ended 30 June 2008. The highlights are:

- Revenues of £17.2m (2007: £15.8m) – increase of 9%
- Decontamination revenues of £11.8m (2007: £10.5m) – increase of 12%; TRaC revenues of £5.4m (2007: £5.3m) – increase of 2%
- Profit before tax of £2.4m (2007: £2.0m) – increase of 20%
- Earnings of £1.8m (2007: £1.7m) – increase in tax charge to 22% (2007: 13%)
- Net cash £4.1m (2007: £1.6m), comprising cash of £5.6m and debt of £1.5m
- Substantial increase in revenues from the Group’s hydrogen peroxide vapour (“HPV”) decontamination technology – from both the life sciences and healthcare sectors
- BIOQUELL’s HPV technology selected to participate in the UK Department of Health’s Showcase Hospitals programme
- Recent US scientific publication reports the use of BIOQUELL’s HPV technology in a US hospital to reduce the infection rate associated with the “superbug” *Clostridium difficile*
- BIOQUELL proactive in-situ service decontamination teams now at 12 hospitals (2007: 1 hospital) in the US and the UK
- Defence revenues benefited from UK and Middle Eastern contracts, which offset the expected decline in MRAP-related revenues, as well as development work involving BIOQUELL’s HPV technology for the US Department of Defense’s Joint Materials Decontamination System programme
- Successful move of the Group’s head office and principal operating subsidiary to a newly renovated facility

Commenting on the interim results, John Salkeld, Chairman of BIOQUELL PLC said:

“We are pleased with the substantial increase in revenues, comprising both equipment sales and service decontamination, from BIOQUELL’s unique hydrogen peroxide vapour decontamination (“HPV”) technology. As expected, defence sector revenues declined in the period – but the decline was more than offset by growth in HPV revenues from the life sciences and healthcare sectors. The Group is delighted to be participating in the Department of Health’s Showcase Hospital Programme where our new technology - with its proven efficacy against “superbugs” - is being tested. We are also pleased with the strength of our balance sheet which includes net cash of £4.1million.”

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BIOQUELL PLC – 2008 INTERIM RESULTS

CHAIRMAN'S STATEMENT

Overview

The BIOQUELL Group comprises two divisions: **Decontamination** and **TRaC** (Testing, Regulatory and Compliance).

The Group's hydrogen peroxide vapour ("HPV") decontamination technology; Chemical, Biological, Radiological and Nuclear ("CBRN") defence filtration technology; and specialist laboratory filtration equipment make up the Decontamination division. The division principally sells equipment and services into the healthcare, life sciences and defence sectors.

The TRaC division comprises specialist service businesses carrying out electromagnetic compatibility ("EMC"), environmental and telecoms / wireless testing. The division principally sells into the aerospace, defence and telecoms sectors.

Financial results

Group revenues increased by 9% to £17.2m (2007: £15.8m). The Decontamination division's revenues increased by 12% to £11.8m (2007: £10.5m), reflecting a substantial increase in revenues from the life sciences and healthcare sectors offsetting a reduction in defence sector revenues due to the expiration of a number of CBRN filtration contracts linked to military vehicle programmes for the US Department of Defense ("DOD"). The TRaC division's revenues increased by 2% to £5.4m (2007: £5.3m).

Gross profit increased by 15% to £7.5m (2007: £6.5m) representing a gross margin of 44% (2007: 41%). The increase in gross margin is due to a continuing improvement in product mix – with higher revenues in the period associated with the Group's HPV decontamination technology.

Sales and marketing costs in the period increased by 38% to £2.2m (2007: £1.6m) reflecting increased investment in international sales of the Group's HPV technology as well as development of the healthcare sector. Expenditure on research & development and engineering costs increased by 33% to £1.2m (2007: £0.9) reflecting the Group's intention to maintain and develop further its leading international position in peroxy-based decontamination technology. Other overhead costs remained broadly unchanged year on year.

Profit before tax increased by 20% to £2.4m (2007: £2.0m). Due to the significant increase in profitability over the last two years, the Group has now largely used up its tax assets and accordingly its tax rate has increased to 22% (2007: 13%). Basic earnings per share increased to 4.4p (2007: 4.3p).

Balance sheet and funding

The Group has adopted a conservative funding structure and had net cash of £4.1m (2007: £1.6m) at the period end comprising cash of £5.6m and debt of £1.5m of which £1m relates to the purchase of a building in Andover. Net assets were £17.3m (2007: £13.4m).

In May 2008, shareholders approved the cancellation of the Company's share premium account in order to increase the amount of the Company's distributable reserves to facilitate, among other things, the payment of dividends. The High Court confirmed this change to the Company's share

capital in June. The Board is not proposing an interim dividend (2007: nil) this year.

Decontamination division

Healthcare

In 2008 the Group has experienced markedly increased levels of take-up of its technology in the healthcare sector with its unique HPV equipment and decontamination services being used to combat “superbug” contamination, such as MRSA and *Clostridium difficile*, in hospitals. This notable increase in activity is due, in part, to the extensive data which are now available in the scientific literature which demonstrates the efficacy of BIOQUELL’s technology against a broad range of “superbugs” including spore-formers such as *Clostridium difficile*. The Group is examining how best to extend the use of its technology in the international healthcare market.

BIOQUELL now has 12 proactive service teams in hospitals in the US and the UK. BIOQUELL’s unique on site ‘proactive’ service – comprising BIOQUELL technicians and proprietary equipment based at hospitals – represents a new and developing market in the healthcare sector. In parallel, BIOQUELL’s scheduled and emergency decontamination services are being used more extensively in UK hospitals. The Group also saw increased sales of HPV equipment and training to hospitals in the period.

An important development this year has been the inclusion of BIOQUELL’s “proactive” decontamination service in the Department of Health’s Showcase Hospitals programme. (www.clean-safe-care.nhs.uk/public/default.aspx?level=2&load=ArticleViewer&ArticleID=584). Seven trusts from around the country have been recruited to act as Showcase Hospitals. The trusts will focus on the in-use value of healthcare associated infection (“HCAI”) technologies, initially evaluating products with a Rapid Review Panel Rating 1. Working with the National Technology Hub, they will develop technical and economic business cases for each of the technologies. The hospitals will gain invaluable knowledge about the practical aspects of using the products in real situations. They will be able to share with other NHS hospitals and infection control professionals their experiences, ranging from training needs and getting the products adopted, through to patient experiences.

A scientific paper has recently been published in a leading US infection control scientific journal which provides data showing how the *C. difficile* infection rate reduced by 53% in a US hospital which used BIOQUELL’s proactive service. (J. Boyce *et al.*, “Impact of hydrogen peroxide vapor room decontamination on *Clostridium difficile* environmental contamination and transmission in a healthcare setting”, *Infection Control and Hospital Epidemiology*, August 2008, vol 29, 723-729: www.journals.uchicago.edu/doi/abs/10.1086/589906). The new hyper virulent strain (NAP1/BI/027) strain of *C. difficile* continues to be the major “superbug” related problem currently facing hospitals.

The clinical trial relating to the Group’s wound disinfection technology is ongoing although due to the tight patient inclusion criteria the trial is likely to take longer than we had first anticipated. Separately, work is continuing in respect of the regulatory submissions required to take the product to market.

Life sciences

Demand from the life sciences sector for BIOQUELL's HPV decontamination products and services were strong in the first half – with revenue levels substantially higher than in the same period last year. This is due to a number of factors including a more extensive international distribution network which the Group has been putting in place over the last year as well as increased recognition among life sciences companies of the benefits of BIOQUELL's HPV bio-decontamination technology. Work is continuing on the extension of the Group's international distribution network with, for example, distributors recently being appointed in China.

We are also beginning to see increased demand for BIOQUELL's technology in the food preparation and manufacturing sector – and this year have carried out bio-remediation work for food manufacturing companies in North America and Europe. Micro-organism contamination – particularly from *Salmonella* – appears to be causing increased problems which are often high profile and expensive for the food manufacturing sector.

Defence

As expected, revenues from the Group's defence business were lower in the first half than for the same period in the previous year. In 2007 the Group had secured a number of large CBRN filtration system contracts relating to a DOD military vehicle programme. The expiration of this DOD programme at the end of last year has been partially offset by contracts for systems from the Middle East and the UK Ministry of Defence.

In addition, significant work was undertaken in the first half for the DOD following the award last year of a sub-contract relating to the Joint Materials Decontamination System ("JMDS") – which uses BIOQUELL's HPV technology to decontaminate biological and chemical warfare agents. The research & development and engineering relating to the JMDS programme is proceeding well.

TRaC division

TRaC – the Group's Testing, Regulatory and Compliance division – had a somewhat mixed first half. Although the division posted a slight increase in revenues in the period, this masked two effects. Two businesses within the division showed strong growth with impressive financial results; however, two other businesses performed less strongly and hence diluted the overall results. Steps are being taken to improve the underperforming businesses.

The sales and marketing of the TRaC division – as distinct to the underlying subsidiary companies – is improving and there have been some notable successes in underscoring to a number of large "blue-chip" groups the benefits of TRaC taking on all their EMC, environmental and telecoms / wireless testing and compliance requirements. There is further work – and associated upside – to be done to maximise the potential of selling and promoting the services offered under the TRaC brand.

TRaC works for a broad range of clients located across a number of sectors although the principal sectors it serves are military, aerospace and telecoms. So far the division has not seen a reduction in activity from its clients notwithstanding general concerns about a slowdown of economic activity in the UK and overseas.

Principal risks and uncertainties

The Board believes that the principal risks and uncertainties facing the Group have not changed materially from those described in the 2007 Annual Report, including the summary of risks and uncertainties set out on page 19. The Group provides complex equipment and specialist services to a large number of clients in the UK and internationally. The Group is also experiencing significant growth. Accordingly the Group is subject to a broad range of strategic, operational and financial risks and uncertainties, including but not limited to: competition, technological, regulatory, reliance on suppliers, loss of key personnel, currency and credit risks.

Separately the Group has now successfully completed the move of its head office and principal operating subsidiary to new facilities in Andover, Hampshire.

Prospects

Demand for the Group's HPV decontamination technology has increased markedly in 2008 and we anticipate that this trend will continue, particularly in the life sciences and healthcare sectors. Your Board is pleased that, after many years of research & development, there is a tangible increase in demand for the Group's bio-decontamination technology from hospitals wishing to combat "superbugs" and the revenues from the proactive service contracts will start to be seen in the second half of the year. Steps are being taken to improve the financial returns from the TRaC division. The Group has a strong balance sheet and is well positioned to fund substantial organic growth.

John Salkeld
Chairman
BIOQUELL PLC
27 August, 2008

Consolidated income statement

unaudited interim results for the six months ended 30 June 2008

	6 months to 30 June 2008 £'000	6 months to 30 June 2007 £'000	12 months to 31 December 2007 £'000
Revenue	17,186	15,823	34,096
Cost of sales	(9,647)	(9,298)	(19,684)
Gross profit	7,539 44%	6,525 41%	14,412 42%
Operating expenses:			
Sales & Marketing costs	(2,182)	(1,557)	(3,392)
Administration costs	(1,912)	(1,975)	(5,165)
R&D and Engineering costs	(1,160)	(932)	(1,607)
Profit from operations	2,285	2,061	4,248
Investment revenues	156	-	75
Finance costs	(87)	(66)	(157)
Profit before tax	2,354	1,995	4,166
Tax charge on profit on ordinary activities	(529)	(262)	(516)
Profit for the period attributable to equity holders of the parent	1,825	1,733	3,650
Earnings per share			
- basic	4.4p	4.3p	8.9p
- diluted	4.1p	3.9p	8.2p

All amounts are derived from continuing operations.

Notes:

1. The financial information for the six months ended 30 June 2008 and the comparative figures for the six months ended 30 June 2007 have not been reviewed or audited by the Group's auditors and have been prepared on the basis of the accounting policies adopted by the Group under IFRS. The same accounting policies and methods of computation are followed in the interim financial report as published by the company on 10 March 2008 in its annual financial statements, which are available on the company's website on www.bioquellplc.com.
2. The comparative figures for the 12 months to 31 December 2007 have been prepared under IFRS. They do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The unqualified audited accounts for the 12 months ended 31 December 2007 have been filed with the Registrar of Companies and they did not contain statements under section 237(2) or (3) of the Companies Act 1985.
3. The tax charge shown on the income statement represents a combined Corporation tax charge and deferred tax liability. The charge is based on the Group's anticipated effective tax rate for the full year.
4. Earnings per share for the half-year has been calculated on the profit on ordinary activities after taxation, after deducting dividends on non-equity (preference) shares due but not paid, divided by the weighted average number of ordinary shares in issue during the period. The Group's diluted earnings per share are calculated by including 'live' share options in the denominator.
5. Related party transactions: transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in the notes.
6. Copies of this statement will be available to members of the public at the company's registered office: 52 Royce Close, West Portway, Andover, Hampshire SP10 3TS and on the Group's website at www.bioquellplc.com

Responsibility Statement

We confirm that to the best of our knowledge: (i) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting'; (ii) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and (iii) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Consolidated statement of recognised income and expense

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	£'000	£'000	£'000
Net profit for the period	1,825	1,733	3,650
Actuarial gain on defined benefit pension scheme	-	-	54
Movement in deferred tax in relation to pension asset	-	-	(12)
Exchange differences on the translation of foreign operations	46	(161)	45
Total recognised income since last annual report	1,871	1,572	3,737

Consolidated balance sheet

	30 June 2008	30 June 2007	31 December 2007
	£'000	£'000	£'000
Non-current assets			
Goodwill	691	730	691
Other intangible assets	6,301	6,166	6,324
Property, plant & equipment	6,203	3,492	4,261
	13,195	10,388	11,276
Current assets			
Inventories	1,345	2,288	1,547
Trade and other receivables	7,367	5,775	8,736
Cash and cash equivalents	5,623	2,390	3,500
Derivative financial instruments	30	-	6
	14,365	10,453	13,789
Total assets	27,560	20,841	25,065
Current liabilities			
Trade and other payables	(6,468)	(5,302)	(5,920)
Obligations under finance leases	(288)	(145)	(212)
Current tax liabilities	(492)	-	-
Deferred tax liabilities	(178)	(162)	(141)
Provisions	(1,525)	(844)	(1,896)
Net current assets	5,414	4,000	5,620
Total non-current liabilities	(1,352)	(963)	(756)
Total liabilities	(10,303)	(7,416)	(8,925)
Net assets	17,257	13,425	16,140
Equity			
Share capital	4,144	4,115	4,136
Share premium account	33	10,750	10,933
Equity reserve	904	584	875
Capital reserve	255	255	255
Translation reserve	(183)	(435)	(229)
Special reserve	10,933	-	-
Retained earnings	1,171	(1,844)	170
Equity attributable to equity holders of the parent	17,257	13,425	16,140

Consolidated cash flow statement

six months ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	£ 000	£ 000	£ 000
Net cash from operating activities	4,436	2,768	5,233
Investing activities			
Proceeds on disposal of property, plant & equipment	-	1	33
Purchases of property, plant & equipment	(2,725)	(389)	(1,565)
Purchases of patents and trademarks	-	-	(17)
Expenditure on product development	(317)	(373)	(843)
Net cash used in investing activities	(3,042)	(761)	(2,392)
Financing activities			
Proceeds on issue of ordinary shares	41	290	494
Increase in borrowings	791	-	26
Obligations under finance leases	(119)	(62)	(275)
Net cash from financing activities	713	228	245
Increase in cash & cash equivalents	2,107	2,235	3,086
Cash at beginning of period	3,500	306	306
Effect of foreign exchange rate changes	16	(151)	108
Cash at end of period	5,623	2,390	3,500

Note to the cash flow statement

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	£ 000	£ 000	£ 000
Profit from operations	2,285	2,061	4,248
Adjustments for:			
Depreciation of property, plant & equipment	783	480	1,051
Amortisation of intangible assets	274	316	665
Write back of deferred consideration	66	-	39
Share based payments	35	106	163
Loss/(profit) on disposal of fixed assets	-	11	(12)
(Decrease)/increase in provisions	(371)	(292)	760
Operating cashflows before movements in working capital	3,072	2,682	6,914
(Increase)/decrease in inventories	202	(873)	(132)
Decrease/(Increase) in receivables	1,375	(105)	(3,121)
Increase/(decrease) in payables	(282)	1,392	1,524
Cash generated by operations	4,367	3,096	5,185
Deferred tax charge	-	(262)	-
Additional deferred benefit contribution	-	-	136
Non-equity preference share dividends paid	(6)	(6)	(11)
Investment revenues	156	-	75
Interest paid	(81)	(60)	(152)
Net cash from operating activities	4,436	2,768	5,233

Business segments

For management purposes the Group is currently organised into two operating divisions – ‘Decontamination’ and ‘Testing, regulatory & compliance’. These divisions are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented below.

Six months ended 30 June 2008

	Decontamination £000	Testing, regulatory & compliance £000	Consolidated £000
Revenue			
Total revenue	11,761	5,425	17,186
Result			
Segment result	2,344	773	3,117
Head office costs			(832)
Profit from operations			2,285
Finance costs			69
Profit before tax			2,354
Revenue Geographically (Market)			
UK	3,803	4,961	8,764
EU	2,819	13	2,832
ROW	5,139	451	5,590
	11,761	5,425	17,186

Six months ended 30 June 2007

	Decontamination £000	Testing, regulatory & compliance £000	Consolidated £000
Revenue			
Total revenue	10,518	5,305	15,823
Result			
Segment result	1,980	738	2,718
Head office costs			(657)
Profit from operations			2,061
Finance costs			(66)
Profit before tax			1,995
Revenue Geographically (Market)			
UK	3,037	4,280	7,317
EU	1,717	351	2,068
ROW	5,764	674	6,438
	10,518	5,305	15,823

Year ended 31 December 2007

	Decontamination £000	Testing, regulatory & compliance £000	Consolidated £000
Revenue			
Total revenue	23,561	10,535	34,096
Result			
Segment result	3,717	980	4,697
Head office costs			(449)
Profit from operations			4,248
Finance costs			(82)
Profit before tax			4,166
Revenue Geographically (Market)			
UK	5,788	8,930	14,718
EU	5,105	507	5,612
ROW	12,668	1,098	13,766
	23,561	10,535	34,096

Dividends

	6 months to 30 June 2008 £'000	6 months to 30 June 2007 £'000	12 months to 31 December 2007 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2007 of 2p per ordinary share	(830)	-	-

The final dividend was approved by shareholders at the Annual General Meeting held on 27 May 2008 and is therefore included in current liabilities in the balance sheet.

Analysis of net cash

	6 months to 30 June 2008 £'000	6 months to 30 June 2007 £'000	12 months to 31 December 2007 £'000
Cash	5,623	2,390	3,500
Finance Leases – due within one year	(288)	(145)	(212)
– due after one year	(237)	(258)	(178)
Bank Loan – due after one year	-	(412)	(428)
Mortgage – due after one year	(965)	-	-
Net cash	4,133	1,575	2,682

Reconciliation of movements in shareholders' funds

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
Profit for the year	1,825	1,733	3,650
Movements in period:			
Issued share capital	8	46	67
Issued share premium	33	244	427
Credit to equity reserve for share based payments	35	70	163
Movement in deferred tax charged to equity	-	-	288
Movement in deferred tax in relation to pension asset	-	-	(11)
Final dividend for year ended 31 December 2007	(830)	-	-
Exchange differences	46	(125)	45
Actuarial gain on defined benefit pension scheme	-	-	54
Net increase in equity shareholders' funds	1,117	1,968	4,683
Equity shareholders' funds at beginning of period	16,140	11,457	11,457
Equity shareholders' funds at end of period	17,257	13,425	16,140

Cancellation of the share premium account

Following the agreement of shareholders at the EGM held on 27 May 2008 and subsequent approval by the Court on 26 June 2008, the Share Premium Account was cancelled and the balance of £10,933,000 transferred to the Special Reserve. These funds are now available for distribution subject to the restrictions imposed by the Court, namely that an amount equal to that owed to the Relevant Creditors be retained by the Company.

	Share Premium Account £'000	Special Reserve £'000
As at 1 January 2008	10,933	-
Capital Reduction	(10,933)	10,933
As at 30 June 2008	-	10,933