

FOR IMMEDIATE RELEASE

10 May, 2010

## **BIOQUELL PLC**

### **Interim Management Statement**

BIOQUELL PLC (“BIOQUELL”) (LSE symbol: BQE) - provider of specialist bio-decontamination technologies to the Healthcare, Life Sciences and Defence sectors - announces its Interim Management Statement for the period from 1 January, 2010 to 7 May, 2010.

#### **Financial position and performance of the Company**

We announced in our preliminary statement of 16 March, 2010 that we had seen a slow start to the year - which had been exacerbated by the move of our UK manufacturing facilities and the snow had created difficulties for a number of TRaC’s sites in January.

The Group has seen a year-on-year increase in orders for the four month period ended 30 April, 2010. However, revenues for the same period are behind on a year-on-year basis due to the slow start and the relatively low order book at the beginning of the year, particularly in relation to CBRN (defence) filtration systems.

#### **BIO-DECON**

The BIO-DECON division is seeing markedly differing activity levels across the territories and sectors in which it operates:

- in the UK, trading has continued to be slow into the second quarter;
- in the USA, after a slow start at the beginning of the year, quotation levels have increased significantly in the last two months and we are starting to see these convert into a higher level of order in-take; and
- in parts of continental Europe and Asia we have seen year-on-year increases in quotation levels and orders, although these have not yet been converted into corresponding increases in revenues.

#### *Healthcare*

A paper relating to the use of BIOQUELL’s hydrogen peroxide vapour (“HPV”) bio-decontamination technology was presented at the Fifth Decennial International Conference on Healthcare-Associated Infections (“HAIs”) in Atlanta at the end of March. Data were presented by a US hospital showing that the use of BIOQUELL’s proactive service had resulted in significant reductions in HAIs.

Three US hospitals have now presented statistically significant data showing that the use of BIOQUELL's technology reduces HAIs – and no other technology provider has presented or published equivalent independent scientific data.

We are beginning to see more interest in the BIOQUELL Q-10 - a new bio-decontamination product specifically engineered for use in hospitals to drive down HAI rates – but so far the rate of take-up has been at lower levels than we were initially expecting. We continue to find market take-up in the UK's National Health Service slow; however, there are signs of increasing interest in the Q-10 in the USA.

Notwithstanding the impressive and unique research data demonstrating the efficacy of our technology to reduce HAIs, it continues to remain difficult to forecast the rate of adoption of this technology in the healthcare sector.

#### *Life Sciences*

We are seeing continuing suppressed demand in the UK Life Sciences sector - largely relating to the closure by “large pharma” of facilities in the UK – and we anticipate that this trend will continue for some time. Our Life Sciences business in the USA started slowly at the beginning of the year; however, quote levels and order levels are now beginning to increase in line with more proposals for investment being approved in the sector. Activity in the Life Sciences sector in continental Europe appears to be generally improving. BIOQUELL AsiaPac (which was only established in the middle of last year) is continuing to experience strong increases in activity, in part relating to investments in new facilities by “large pharma”, across most of the Asia Pacific region; and we expect this trend to continue during the year.

#### *Defence*

BIOQUELL continues to make good progress – and allocate significant resources from its UK-based research & development, engineering and design teams - on the fulfilment of the System Development and Demonstration (“SDD”) phase of the US Department of Defense's Joint Materials Decontamination System (“JMDS”) programme – which has recently been re-designated ‘Joint Services Sensitive Equipment Decontamination’ (“JSSED”). JSSED uses BIOQUELL's unique HPV technology to decontaminate biological and chemical warfare agents. The SDD phase of this contract is cost-plus.

We have not generated significant levels of revenues from CBRN filtration systems so far this year. This has resulted in reduced levels of overhead recovery being generated within our UK manufacturing facilities with a corresponding adverse affect on the Group's profitability. However, we are continuing to work on a number of substantial CBRN contract submissions, some of which we anticipate winning later this year.

## **TRaC**

The TRaC division is now trading well despite the difficulties experienced in January and its orders and revenues in the four month period are up year-on-year and are broadly in line with our expectations.

### *Outlook*

The prospects for the Group with its focus on the global Healthcare, Life Sciences and Defence sectors remain attractive and TRaC is continuing to trade well. Moreover, the Group continues to have a strong balance sheet with a significant net cash position and an unused overdraft facility. There are encouraging signs that activity levels are beginning to increase in a number of overseas territories, however the slow start to the year within the BIO-DECON division has continued into the second quarter despite the year-on-year increase in orders in the first four months - and as a result the performance of the Group is likely to be below expectations for the year as a whole.

- Ends -

### **Enquiries**

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BIOQUELL PLC

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