



Press Release
12 June 2007

Modern Water plc
(“Modern Water”, the “Group” or the “Company”)

FIRST DAY OF DEALING & ADMISSION TO TRADING ON AIM

Modern Water, a company established to source, develop and deploy technology-based solutions to meet the growing demand for the economic availability of fresh water and treatment of waste water, is pleased to announce the commencement of trading in its shares on AIM today under the ticker symbol MWG.

Modern Water has raised £30 million (before expenses) through a placing with UK institutional and other investors, at the placing price of 119p per ordinary share of 0.25p each (“Ordinary Shares”) (the “Placing”), valuing the Company at £70 million on admission. The Placing met with encouraging demand and was over-subscribed. The non executive directors of Modern Water have together subscribed for £445,000 of Ordinary Shares in the Placing.

KBC Peel Hunt Ltd is acting as Nominated Adviser and Broker to Modern Water.

Neil McDougall, Executive Chairman of Modern Water plc said:

“Modern Water is firmly positioned at the heart of one of the most important issues which the modern world has to face. The demand for fresh water is increasing inexorably and existing supplies are limited. Modern Water’s technology can help improve this imbalance substantially, and our listing on AIM today is a further step in the plans we have to deliver a lasting solution to this severe problem.”

Key Points

The Company's objective is to create value for shareholders through the acquisition of assets through which the Group's technologies can be deployed and the licensing and sale of its water related technologies to third parties.

The Group currently has access to two core technologies which are the subject of patent applications:

- desalination technology which aims to reduce the cost of desalinating sea water as it requires less energy and lower capital expenditure than conventional desalination processes; and
- technology to allow sea water based domestic waste water to be treated to a sufficient quality to meet European Waste Water Standards.

The principal components of the Group's business model are:

- BOOT projects – to acquire ownership and/or management of water projects that can be fitted with the Group's technologies to reduce capital and operating costs of those assets and, in particular, reduce energy consumption; and
- intellectual property – to acquire and invest in water-related technologies complimentary to those already owned by the Group and which have the potential to be developed through to commercial operation.

The reasons for the IPO and use of proceeds include:

- acquisition of existing contracts/companies where the Company can improve the project economics through deployment of its technology;
- further development, investment in existing technologies and acquisition/licensing of new technologies from the Group's current pipeline; and
- funding the Company's ongoing working capital requirements including the recruitment of up to 20 employees in the next 18 months, primarily focussed on business development and research and product development.

Placing Statistics

Placing Price	119p
Number of Placing Shares	25,210,085
Number of Ordinary Shares in issue on Admission	58,862,685
Capitalisation at the Placing Price	£70 million
Gross proceeds of the Placing	£30 million
Estimated net proceeds of the Placing	£28.6 million
Placing Shares as a percentage of the Enlarged Share Capital	42.8%

Ends

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Notes to editors

The Company has been established to source, develop and deploy technology-based solutions to meet the growing demand for the economic availability of fresh water and treatment of waste water. Less than one per cent. of the water on Earth is available for consumption. As fresh water is a finite resource and, as population grows, many parts of the world are experiencing an increasing water crisis. In the developing world, it is estimated that 2.6 billion people (approximately two fifths of the world's population) do not have access to adequate sanitation. In

these areas approximately 2.2 million people die from diseases associated with poor water quality and sanitation every year.

The Group is initially concentrating on two distinct approaches to the water market being: (i) desalination; and (ii) the substitution of fresh water with sea water or recycled water for certain non-potable uses. The Group's strategy is to acquire key stakes in appropriate technologies within these areas and to date has made investments in Surrey Aquatechnology Limited and Poseidon Water Limited. The Group also has an investment in Cymtox Limited.

Surrey Aquatechnology Limited

Surrey Aqua is developing processes for the osmotic treatment of water which include the desalination of seawater for potable water, the treatment of water produced from the desalination process and the preparation of water for re-injection for use in the oil industry. The Group's initial focus for Surrey Aqua's intellectual property will be on its manipulated osmosis technology and its application in the desalination of brackish water and sea water. Manipulated osmosis technology is suitable to be used in the construction of new and integrated into existing thermal desalination and reverse osmosis desalination plants, reducing the capital costs, the footprint and the operating costs of such plants.

Poseidon Water Limited

PWL's sewage treatment process is designed to be used on waste water based on either just seawater or a mixture of fresh water and sea water. Conventional waste water sewage treatment processes predominantly treat waste water based solely on fresh or potable water. Where they are based on a combination of fresh water and sea water or just sea water, performance is significantly compromised and they have limited effectiveness. As toilet flushing uses approximately 30 per cent. of all domestic water usage, implementing PWL's water treatment process can significantly reduce the levels of fresh water required.

Cymtox Limited

Cymtox exploits a new technology that monitors water toxicity on a continuous, real time basis. It checks a wide range of toxicity and warns of suspicious changes. The core technology is based on the well established science of bioluminescence.

Neil McDougall (45), Executive Chairman

Neil was appointed as Executive Chairman of the Company on 1 December 2006 and as Chairman of Surrey Aqua on 29 November 2006. Neil was previously an independent investor and advisor to various private equity groups and financial institutions. Prior to that, he was Executive and Deputy Chairman of Swan Group plc (the holding company for Mid Kent Water plc) from 2001 to 2004. Neil was also Chairman and CEO of Biwater Capital Limited (a subsidiary of Biwater plc) from 1996 to 2001. In partnership with the University of Surrey and Oxfam, Neil is currently developing water testing equipment for the developing world on a charitable basis. He is also a Director of Delagua Water Testing Limited. Neil is a chartered accountant.

Simon Humphrey (40), Chief Executive Officer and Finance Director

Simon was appointed as CEO of the Company on 1 December 2006, and as a Director of each of PWL and Cymtox on 14 December 2006. Simon was previously an investment manager at Laing O'Rourke Portfolio Solutions Limited and was a Director of Glen Water Limited a 50/50 joint venture between Laing O'Rourke Portfolio Solutions Limited and Thames Water Services Limited. Previously, he worked as an investment director at two water industry companies, Spring Capital and Cascal BV. From 1990 to 1999 Simon worked at various Biwater plc companies in a variety of financial and project based roles both in the UK and internationally. Simon is a chartered management accountant and will be responsible for the finances of the Company (which are currently provided by IP Group) in his dual role as chief executive officer and finance director.

Dr Gerald Jones (56), Chief Scientific Officer

Gerald was appointed as a Director of the Company on 1 December 2006 and PWL and Cymtox on 14 December 2006. Gerald is currently the principal consultant for Business Strategy and Innovation at WRc plc, where he has worked in a variety of roles since 1980, including Group Marketing Manager. Gerald specialises in innovation, international marketing and business development and is also a founding Director and investor of Cynnovation Limited, a spin out company from WRc plc.

Michael Gradon (48), Senior Independent Non-Executive Director

Michael is a senior executive with over twenty five years' experience in high-level commercial, management and legal positions. Until its takeover by Dubai Ports World in 2006, he spent 20 years at The Peninsular and Oriental Steam Navigation Company ("P&O") including 8 years on the main board. A Cambridge law graduate and qualified lawyer, he joined P&O initially as a corporate lawyer before moving into a number of general management roles and was appointed

to the P&O Board in 1998, at the time one of the youngest executive Directors on the main board of a FTSE 100 company.

Michael has held executive positions covering a wide range of management experience including executive P&L responsibility for property, infrastructure and leisure businesses, crisis and risk management, managing relationships with the Board and shareholders, multiple contract/commercial negotiations, and handling Board-level personnel matters.

Paul Shepherd CBE DL (62), Non-Executive Director

Paul is a chartered engineer with extensive experience in the construction and engineering industry both in the UK and overseas. Until 2001 Paul was Chairman and Group Managing Director of Shepherd Building Group, one of the UK's largest private construction, engineering and manufacturing groups which operated in 90 countries. He is a past Chairman of the Construction Confederation, a past President of the Chartered Institute of Building (CIOB), and was a member of the Economic Affairs Committee of the CBI from 1995 to 2003. He is a Fellow of the Institute of Civil Engineers and the Chartered Institute of Building Services Engineers.

Paul is currently a Non-Executive Director of the FT Construction Group and subsidiaries, Chairman of the International Board of the CIOB, a member of the Court of York University and a Deputy Lieutenant for North Yorkshire. He was awarded a CBE in 1999 for services to the UK construction industry.

Trevor Jones (61), Non-Executive Director

Trevor is a mechanical engineer with considerable managerial experience across a range of industries. He has wide experience in the water industry with Thames Water, the world's third largest water services company. Trevor was managing director of Thames Water's non regulated business during which he was Chairman of the Metronet Consortium that won two thirds of the London Underground PPP. Following that he was managing director for all Thames Water's businesses in UK and Ireland which included Thames Water Utilities Limited, the largest water and waste water utility in the UK.

Trevor also has extensive experience in the international water market having been Chairman of Thames Water International, a portfolio of companies and projects in ten countries in the Middle East, Asia, Latin America and Australia.

Mike Townend (44), Non-Executive Director

Mike is director of Capital Markets at IP Group. He has 17 years experience in all aspects of equity capital markets and was formerly at Lehman Brothers where he was Managing Director, European Equities and Head of Equity Sales to Hedge Funds. In this role, where he was jointly responsible for the equity sales operation at Lehman Brothers, Mike focussed particularly on hedge funds and alternative asset managers and was responsible for building and maintaining multi-strategy and asset class relationships with institutional investors and prominent alternative asset managers. Prior to that, Mike was an Executive Director at Donaldson, Lufkin and Jenrette ("DLJ") where he was recruited to build up business with hedge funds as a key element of DLJ'S European start up strategy. He has a further eight years equity sales experience at Banque Paribas and BG Bank where he was Head of Equity Sales. In addition, Mike has extensive experience of raising capital, having recently completed a number of private company fundings including one in the intellectual property arena, Imprimatur Capital.