



## **NEWS RELEASE**

### **HYFLUX POSTS A RECORD FY2008 NET PROFIT OF S\$59.0 MILLION ON HIGHEST EVER REVENUE OF S\$554.2 MILLION**

#### ***Key Highlights:***

- Revenue increases 2.9 times to S\$554.2 million
- PATMI surges 79% to S\$59.0 million, from S\$32.9 million in FY2007
- Net EPC order book expands by 34% to S\$1.15 billion
- Recurring Operations & Manufacturing (O&M) segment has a S\$335 million order book to be realised over the next 25-30 year concession period
- Dividend almost doubles to 3.43 cents per share

The Group's revenue increased by more than two folds to \$554.2 million in FY2008 as compared to FY2007. Municipal sales, which account for 86% of Group's revenue, continue with its strong growth momentum, registering a five-fold jump to S\$476.8 million from S\$89.0 million in FY2007.

China and Middle East & North Africa ("MENA") will remain key growth markets as the Group continues to deepen its market penetration in these regions while focusing on superior order book execution.

Hyflux's O&M contracts with its operational plants, in China and eventually Algeria, are emerging as a robust recurring earnings source. These service-based contracts will generate stable and recurring earnings stream for the next 25-30 years.

*"Management will continue to focus on superior project execution, quality growth and balance sheet strength. At the same time, we will expand our recurring earning streams including long-term O & M contracts," said Ms Olivia Lum, Group CEO, President and Managing Director.*

*Singapore, February 18, 2009* – Main Board-listed Hyflux Ltd (“Hyflux or “The Group”), a leading global player in integrated environmental solutions specialising in membrane technologies, today reported a record profit after tax and minority interest (“PATMI”) of S\$59.0 million on the back of a highest-ever revenue of S\$554.2 million for the full year ended December 31, 2008 (“FY2008”).

The Group’s revenue rose more than two fold to S\$554.2 million as compared to \$192.8 million in the previous year.

The Group’s strong performance is largely attributed to increased municipal sales in China and MENA.

### **Financial Review**

China and MENA were the Group’s main growth drivers, accounting for 94% of the total revenue. Sales in China accounted for 54% of total revenue, while MENA, which is now emerging as a significant growth contributor, accounted for 40% share of revenue.

The Group’s Engineering, Procurement and Construction (“EPC”) works in China and MENA are making good progress and are within budget. These will anchor the Group with sustained revenue and meaningful earnings base.

Hyflux currently has a robust pipeline of 44 plants covering wastewater treatment and water recycling across China, located in the Jiangsu, Tianjin, Hebei and Shandong provinces.

In the MENA region, the Group is currently completing a 200,000m<sup>3</sup>/day plant in Tlemcen, Algeria. In addition, the Group is also the EPC contractor of the world’s largest reverse osmosis seawater desalination plant of 500,000m<sup>3</sup>/day in Magtaa, Oran, Western Algeria. The plant, with an estimated EPC value of US\$500 million, has achieved on-site ground breaking ceremony on December 16, 2008. Construction of the plant is scheduled to be completed in 28 months, in early 2011.

Performance of the industrial sector, which accounted for 14% of the Group’s revenue in FY2008, is likely to be impacted by the economic slowdown in China.

The Group's raw material and consumable costs increased to S\$384.1 million, from S\$106.0 million in FY2007. This is in line with the increase in sales volume and cost of construction materials.

The Group's cash position stood at S\$90.7 million as at December 31, 2008. Net gearing increased marginally to 0.54 times compared to 0.32 times in FY2007.

### **Recent Developments**

The Group divested three wastewater and water treatment plants in China to Hyflux Water Trust Management Pte Ltd (acting as Trustee-Manager of Hyflux Water Trust) on December 23, 2008. They included Anhui Minguang Wastewater Treatment Plant, Jiangsu Guangun Water Treatment Plant 1 and 2, and Jiangsu Wuxi Wastewater Treatment Plant.

Completion of the divestment of a fourth plant, the Yangkou Rudong Waste Wastewater Treatment Plant, is expected to occur around or after 30 June 2009, but no later than 31 December 2009.

### **Prospects**

The Group will continue to adopt a disciplined and prudent approach to its business management and investments.

It will also continue to build on execution and process strengths while continuing to leverage on ongoing business opportunities in China, and increasingly the MENA region. The Group's municipal projects in China and Algeria are progressing on schedule and Hyflux remains optimistic of the huge growth potential of the water sector in both China and MENA.

In addition, the Group expects stability in payments to continue from the largely municipal government-based customers.

Industrial sales of membrane systems to sectors such as petrochemical and pharmaceutical, currently representing 14% of sales, could face further slowdown as a consequence of the economic weakness in China.

The net EPC order book increased by 34% to S\$1.15 billion as at December 31, 2008, from S\$863 million as at December 31, 2007 and should continue to contribute to Hyflux's earnings base. In addition, the Group expects O&M, which is now a key feature to its order book, to expand progressively as more completed projects in China, and Algeria are added to the recurring-revenue portfolio. The number of operating plants has now increased to 16 from 11 in FY2007. O&M order book now stands at S\$335 million to be realised over the next 25-30 years.

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### **About Hyflux Ltd**

Hyflux is one of Asia's leading environmental companies, with operations and projects in Southeast Asia, China, the Middle East & North Africa and India.

Specialising in membrane technologies, Hyflux is today an integrated solutions provider offering services that include process design and optimisation, pilot testing, fabrication and installation, and engineering, procurement and construction. It is also engaged in the commissioning, operation and maintenance of a wide range of liquid treatment systems on a turnkey or Design-Build-Own-Operate (DBOO) arrangement. Hyflux currently focuses on water and renewable resources management in the fields of oil recycling, alcohol fermentation and palm oil clarification.

Hyflux was recently conferred the Most Transparent Company Award in the Services/ Utilities/ Agriculture Category at the SIAS Investors' Choice Awards 2008. In 2007, the Group received two awards namely, Technology Innovation of the Year Award 2007, Desalination Technologies (Asia Pacific) and Technology Innovation of the Year Award 2007, Residential Water Treatment Equipment Market (Southeast Asia) from Frost and Sullivan.

For more information, please visit [www.hyflux.com](http://www.hyflux.com)

**For media queries, please contact:**

Claire Ng (Ms)  
Asst Vice President, Corporate Communications  
Hyflux Ltd  
DID: (65) 6580 6814  
HP: (65) 9145 5599  
Email: [claire\\_ng@hyflux.com](mailto:claire_ng@hyflux.com)

**Issued on behalf of : Hyflux Ltd**

By : Citigate Dewe Rogerson, i.MAGE Pte Ltd  
1 Raffles Place  
#26-02 OUB Centre  
Singapore 048616

Contact : Ms Dolores Phua/ Ms Carol Wee  
at telephone

During office hours : 6532-511 (Office)  
9750-8237/ 9730-5754 (Handphone)

Email : Dolores.phua@citigatedrimage.com  
Carol.wee@ citigatedrimage.com