



NEWS RELEASE

HYFLUX DELIVERS 9% RISE IN 1H NET PROFIT AND DECLARES FIRST INTERIM DIVIDEND

- **First-half revenue increases 9% to S\$241.7 million**
- **Net profit growth for half year up by 9% to S\$33.7 million**
- **Maiden interim dividend declared at 1.0 Singapore cent per share**
- **Mitsui joint venture to capture growth opportunities in China's water sector**

Singapore, 5 August 2010 – Mainboard-listed Hyflux Ltd (“Hyflux” or “The Group”) posted a 9% rise in profit attributable to shareholders for the first six months ended 30 June 2010. The net profit after tax and minority interests (PATMI) of S\$33.7 million was achieved against a 9% rise in Group revenue of S\$241.7 million.

The Group has declared for the first time an interim dividend of 1.0 Singapore cents per share.

In the second quarter of FY2010, the Group recorded total revenue of S\$140.4 million while PATMI posted was S\$27.3 million.

Sales from both the industrial and municipal sectors went up year-on-year, with the industrial sector registering its best showing in six consecutive quarters. Revenue from the industrial sector rose 10% to S\$19.6 million, compared to S\$17.7 million in the second quarter of FY2009. The municipal sector saw revenue rise from S\$116.3 million in the second quarter of FY2009 to S\$120.6 million in the second quarter of FY2010.

“Our projects in Algeria are moving on track and contributing strongly to municipal sales. In addition, the commencement of projects in China that were previously put on hold has also boosted sales in the industrial sector,” said Ms Olivia Lum, Group CEO of Hyflux.

Financial Review

The Group's revenue for the second quarter rose due to revenue contributions from the Middle East & North Africa ("MENA") region which contributed 76% to total revenue. China, Singapore and other markets accounted for the 21% and 3% respectively.

The Group was able to maintain its gross margin at 44% in the second quarter of FY2010. Total operating and finance expenses for the three months ended 30 June 2010 remained stable at S\$112.3 million compared to S\$111.2 million in the same quarter a year ago. Depreciation and amortisation charges went up by 38% and finance costs more than doubled for the second quarter of FY2010. These increases were offset by reduction in staff costs and other expenses.

The Group's pre-tax profit for the second quarter rose by 10% to S\$31.2million, but higher taxes paid during the quarter shaved the profit gains, resulting in the 5% increase in PATMI.

Earnings per share for the quarter was 4.83 Singapore cents compared to 4.92 Singapore cents in the second quarter of FY2009 due to an increase in the share capital arising from shares issued under the Warrants Subscription Agreement with Istithmar. Net gearing ratio was 0.49 as at 30 June 2010.

The Group's cash position remained strong, with cash and cash equivalents at S\$180.7 million at the end of June 2010 compared to S\$166.7 million as at 31 December 2009.

Outlook for the Year

Moving forward, the municipal sector will continue to be the main driver of Group revenue particularly in the MENA region. The industrial sector is likely to show further improvement as confidence in the economic growth of China returns. Projects that were postponed due to the financial crisis and weaker economic activities over the last two years have begun to come back on-stream.

According to industry estimates, the Chinese government is expected to double its budget for environmental protection and water resource development to approximately US\$450 billion for 2011 to 2015 from US\$219 billion for 2006 to 2010.

Hyflux's strategic partnership with Mitsui & Co. Ltd ("Mitsui"), announced on 2 August 2010, lays an additional strong basis for accelerated growth going forward. By combining the complementary strengths of the two partners – Hyflux's fully integrated water solutions and strong track record and experience in China and Mitsui's entrenched global network, comprehensive infrastructure services and robust capital structure – a powerful platform is established to step up investments in developing critical infrastructure to meet China's needs for clean, safe and affordable water.

"There is deep urgency for China to implement effective water resource management programmes, including infrastructure for wastewater treatment and water recycling. With the added competitiveness and financial flexibility that our Mitsui partnership offers, we are in a good position to participate in the larger and more complex water infrastructure projects that are appearing on the horizon that will give us long-term sustainable and strategic returns. Hyflux will continue to significantly invest in human capital and concurrently seek productivity gains." said Ms Lum.

With Asian economies rebounding quickly, the pace of recovery could give rise to significant increases in the prices of commodities and in oil prices, thereby potentially raising business costs for the Group. The Group will continue to focus on cost management.

As at 30 June 2010, the Group's order book stood at S\$1.72 billion.

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About Hyflux

Hyflux is one of the world's leading fully-integrated water solutions companies, with operations and projects in Southeast Asia, China, India, the Middle East and North Africa.

Hyflux's spirit of innovation and entrepreneurship drives its technological advancements in membranes, commercialisation of applications, project management, and operations and maintenance.

Hyflux is committed to providing cost-effective, reliable and sustainable solutions to its customers worldwide, from seawater desalination, water recycling, wastewater treatment, including membrane bioreactor (MBR) and potable water treatment. Hyflux's track record includes Singapore's first NEWater plant and seawater desalination plant and China's largest membrane-based seawater desalination plant in Tianjin Dagang. The company is building the world's largest membrane-based seawater desalination plant in Magtaa, Algeria and Asia's largest MBR facility in Singapore.

For more information, please visit www.hyflux.com

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