



NEWS RELEASE

HYFLUX REPORTS THIRD QUARTER EARNINGS GROWTH

- **Stable revenue and profit growth despite impact from USD weakness**
- **Strong financial platform with Mitsui's collaboration now cemented**
- **One-for-two bonus issue proposed**

Singapore, 4 November 2010 – Mainboard-listed Hyflux Ltd (“Hyflux” or “The Group”) today announced a net profit attributable to shareholders of S\$19.0 million against Group revenue of S\$137.5 million.

The net profit for the third quarter of FY2010 was 5% higher than that achieved in the third quarter of FY2009, while group revenue was an increase of 9%. The weakening US dollar against the Singapore dollar led to an unrealized foreign exchange loss for the Group which amounted to S\$7.9 million.

Total operating and finance expenses went up by 10% to S\$121.0 million as a result of higher costs incurred for the increase in manpower, depreciation and amortization, bank borrowings, and professional fees for projects and marketing expenses – which are in line with the Group's expansion plans.

Ms Olivia Lum, Group CEO of Hyflux, said: “We took the strategic decision to expand our human capital and manufacturing capacity in order to position for the uptrend in the water industry and to capture the growth opportunities in our key markets.

“Asia has managed to emerge from the global economic downturn in a better shape than US and the EU. In particular, the rate of economic expansion in China and India will exert greater pressure on the governments to act and manage the water shortage and pollution challenges

faced by both countries. Therefore we expect water infrastructure projects such as water recycling, membrane bioreactor and seawater desalination to be accelerated.”

To this extent, the Group has over the third quarter increased the number of staff by 10% to more than 2,200, embarked on the construction of Hyflux Innovation Centre which will house the Group’s headquarters and R&D centre, and expanded its manufacturing facility at Tuas Hub.

Higher revenue contributions from municipal and industrial sectors

Sales from both the municipal and industrial sectors increased in the third quarter of FY2010 compared to the third quarter of FY2009. The municipal sector contributed 85% of Group revenue, or S\$117.0 million for the third quarter of FY2010, in contrast to the S\$113.3 million recorded in the comparable period in FY2009.

The industrial sector’s contribution rose 54% to S\$19.6 million for the third quarter of FY2010 from S\$12.7 million previously, reflecting the steady progress made in projects that were put on hold by customers in China during the global economic downturn.

In terms of geographical contributions, the Middle East & North Africa (MENA) region continued to be the Group’s largest market, accounting for 62% of total revenue. China contributed 29% of total revenue, while Singapore and other territories made up the remaining 9%.

The rise in contribution from the Singapore market was due mainly to the two projects that the Group has been awarded at the start of the year. The projects involved Singapore’s largest membrane bioreactor at the Jurong Water Reclamation Plant for Singapore’s water agency PUB and stage one of the Tembusu Seawater Desalination Plant on Jurong Island for Tuas Power.

Earnings per share for the quarter was 3.36 Singapore cents compared to 3.45 Singapore cents in the third quarter of FY2009 due to an increase in shareholders’ equity as a result of new shares issued largely under the Warrants Subscription Agreement with Istithmar. Net gearing ratio stood at 0.52.

The Group’s cash position increased to S\$307.6 million at the end of September 2010 compared to S\$166.7 million as at 31 December 2009.

Collaboration with Mitsui cemented

The acceptance of unitholders of Hyflux Water Trust (HWT) for the delisting of HWT in a shareholders' meeting on 20 October 2010 as well as the exit offer turning unconditional as of 29 October 2010, have paved the way for Galaxy NewSpring Pte Ltd, the 50/50 joint venture between Hyflux and Mitsui & Co. Ltd ("Mitsui"), to build and expand on HWT's current portfolio of water projects as well as to capture new opportunities in China's growing water sector.

Galaxy NewSpring will benefit from the synergies between Hyflux and Mitsui, and provide a powerful platform to accelerate investments in developing critical infrastructure to meet China's needs for clean, safe and affordable water.

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, boosted by increased economic activities in China.

The Group will continue to strengthen its human capital, by employing more staff in its key markets and expanding its design and engineering teams. The increase in manpower will enhance the Group's ability to embark on more and larger projects in China, India, the MENA region and South East Asia.

Underscoring the urgency for China, India and MENA to implement effective water resource management programmes, Ms Lum said: "With the added competitiveness and financial flexibility that our strategic partnerships offer, together with our expanded human capital resources, we are well-placed to participate in the larger and more complex water infrastructure projects that will give us long-term sustainable and strategic returns."

However, risks remain that could impact the Group's growth. Volatility in the currency markets, persistent high unemployment in the developed markets of US and EU, and threats of sovereign debt defaults are still present and could affect the rate of recovery of fragile global economies. In addition, continued fluctuations in the foreign exchange rates of the US dollar and the Chinese yuan will have an impact on the Group's financial performance as its revenues are dominated in the two currencies.

The Group's response to the challenges on the economic front is to continue to sharpen its focus on core competencies, technology development and human capital to stay competitive. The Group will continue to exercise diligence and prudence on project execution and cost management, monitor and manage its foreign exchange exposure arising from movements in the US dollar and RMB rates.

Bonus issue proposed

Under a proposed 1-for-2 bonus issue announced today, each existing shareholder of Hyflux will receive one bonus share for every two existing ordinary shares that he/she owns. A total of 285,378,205 bonus shares are expected to be issued.

The bonus issue is subject to the approval of SGX-ST, and the book closure date will be announced later.

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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 water recycling 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.

For more information, please visit www.hyflux.com

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