NEWS RELEASE

HYFLUX REGISTERS RECORD FY2010 REVENUE AND PROFIT

- **Record revenue of S$570 million**
- **Net profit rises 18% to S$88.5 million**
- **Recommends increase of final dividend to 3.50 Singapore cents per share**

Singapore, 23 February 2011 – Mainboard-listed Hyflux Ltd ("Hyflux" or "the Group") has posted its best profits in the Group's history, chalking up an 18% increase in net profit after tax and minority interests ("PATMI") of S$88.5 million for the financial year ended 31 December 2010 ("FY2010") from S$75.0 million for the financial year ended 31 December 2009 ("FY2009").

The profit for FY2010 was posted on the back of record revenue of S$569.7 million, driven by higher revenue contributions from both the municipal and industrial segments. The revenue for FY2010 was a 9% rise against FY2009 revenue of S$524.8 million.

"We kept a tight rein on expenses and restructured for cost competitiveness. We will continue to strike a prudent balance between costs, productivity and revenue growth, and especially so when our Group is embarking on expanding our capabilities and capacity in order to take on larger and more complex water infrastructure projects around the world," said Ms Olivia Lum, Group CEO & President of Hyflux.

The Board of Directors of Hyflux has recommended a final dividend of 3.50 Singapore cents per ordinary share. This is in addition to an interim dividend of 1.0 Singapore cents per share that was paid out on 15 September 2010. The total dividend payout for FY2010 will amount to S$36.0 million compared to S$28.5 million in FY2009.

Gains from municipal and industrial segments

Revenue gains were recorded for the municipal and industrial sectors. The municipal sales constituted 90% of Group revenue while the industrial sector provided 9%, with sales from Others contributing the remaining 1%. In FY2010, contributions from the municipal sector rose 9% to S$511.2 million, due chiefly to better contributions from the Middle East and North Africa ("MENA") and China markets. The industrial sector saw an increase of 1% to S$55.1 million.

FY2010 revenue also showed higher contributions from Singapore, due mainly to the award of two engineering, procurement and construction ("EPC") projects in the first quarter of the year, namely a membrane bioreactor plant for the Jurong Water Reclamation Plant and the first stage of a desalination project on Jurong Island for Tuas Power. Revenue from Singapore/Others rose from approximately S$13.0 million in FY2009 to S$75.1 million in FY2010, providing 14% of Group revenue.

However, MENA and China remained the key markets for Hyflux, contributing 60% and 26% to Group revenue respectively.

Pre-tax profit up 21%

The Group's total operating costs and finance expenses rose by 6% from S$451.1 million in FY2009 to S$478.1 million in FY2010, keeping pace with the revenue expansion. The pre-tax profit showed a 21% hike to S$100.5 million in FY2010 from S$83.0 million in FY2009.

To support the Group's strategic expansion, higher staff costs were incurred as the staff strength was beefed up by about 24% to more than 2,300 employees as at the end of FY2010. Higher bank borrowings to fund investments in projects drove finance costs up by 81% to S$16.8 million. Depreciation, amortization and impairment increased slightly; while other expenses rose 35% to S$78.4 million due mainly to higher professional fees, costs on research and development and foreign exchange differences. The Group registered a net foreign exchange loss of S$16.4 million in FY2010 compared to S$2.1 million in FY2009 due to the continuous weakening of the US dollar against the Singapore dollar.

Shares issued under the Executives' Share Option Scheme, the Warrants Subscription Agreements with Istithmar and net profit recorded for the year boosted the Group's equity base to S$502.5 million in FY2010 compared to S$365.2 million in FY2009.

In FY2010, Group's net gearing ratio rose to 0.73 times, while the Group's cash position improved further, rising to S$222.3 million at the close of FY2010.

Outlook remains bright

More than one billion people around the world have no access to clean water. In particular, the Group's key markets of China, India and MENA are confronted with critical water scarcity issues. To address these challenges, the governments of these regions are accelerating the investment and development of water infrastructure projects.

The Group believes that the outlook over the next 12 months remains good, with the municipal sector being the key revenue driver. The Group's performance will continue to be underpinned by its core EPC and operations and maintenance ("O&M") businesses. In this respect, Hyflux will continue to seek opportunities in its key markets to grow its EPC and O&M order book which stood at a combined S$1.6 billion at 23 February 2011.

In the first two months of 2011, the Group signed concession agreements to develop, own and operate two wastewater treatment plants and a water treatment plant in Hechuan District, Chongqing, in addition to a wastewater treatment plant in Zunyi, Guizhou in China. The projects carry concession periods of 30 years.

"China sees a new urgency to address its water needs at all fronts – from infrastructure development to addressing drought, water pollution and pricing of water – and this urgency permeates through all levels of government. We continue to have confidence in the potential of the municipal sector of the Chinese market," said Ms Lum.

Singapore also presents opportunities in the areas of seawater desalination and wastewater recycling. The Singapore Government has plans to triple the current capacity of NEWater to meet 50% of the country's water needs by 2060 and to ramp up desalination by almost 10 times to meet at least 30% of water demand in the long term.

While the political upheavals currently unfolding in the MENA countries pose an escalating risk, the fundamental need and demand for water in these regions will continue to exist and grow. The Group's two seawater desalination projects in Algeria have not been affected by the demonstrations in the country and are progressing as scheduled. As the Group has yet to receive the notice to proceed for its EPC contract in Libya, construction works on the desalination plant in Tobruk have not commenced.

Globally, rising oil and commodity prices, high inflation and volatile fluctuations in foreign exchange rates could also dampen optimism and risk appetites in the short term.

“Notwithstanding the prevailing risks involved in investing in MENA countries, they remain long-term compelling markets for us given the vast opportunities for wastewater recycling and seawater desalination solutions – where our core strengths reside and where we can add value to ensuring water security in these communities. However, there is a possibility that our recently won US$100 million EPC contract in Tobruk, Libya could be delayed. In addition, the negotiations on the two desalination projects in Bengazhi and Tripoli could also face potential delay. As for today, we have no investments in Libya,” said Ms Lum.

“Water will always remain a vital resource, and demand for water will continue to rise across the world. Given Hyflux’s entrenched and growing bench strength, we are in the position to capture that growth for water demand,” Ms Lum stated.

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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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