NEWS RELEASE

HYFLUX REPORTS 15% DECLINE IN REVENUE, HEALTHY ORDER BOOK OF S$1.9 BILLION

- Asia generates 76% of total revenue, reflecting shift in geographical mix with near completion of large municipal projects in MENA
- Ready cash and low gearing position Group for opportunities in global water industry

Singapore, 22 February 2012 – Hyflux Ltd ("Hyflux" or "Group") today reported total revenue of S$482.0 million for the year ended 31 December 2011 and profit after tax and minority interests (PATMI) of S$53.0 million.

The revenue registered in FY2011 showed a 15% decline from FY2010 revenue as contributions from its Middle East and North Africa ("MENA") market dipped due to the near completion of the Group's major desalination projects in the region and the impact of Arab Spring on new contracts. A lower level of divestment activities in FY2011 compared to FY2010 also affected revenue and profits.

Earnings before interest, taxes, depreciation and amortisation ("EBITDA") was S$118.2 million, a decrease by 17% which was in line with the fall in revenue.

The revenue contribution from Asia rose to 76% of total revenue. The contribution to revenue from Singapore/Others rose significantly to 47% of total revenue in FY2011 compared to just 14% in FY2010 as the Group geared up its engineering, procurement and construction activities at Singapore's Tuaspring Desalination Plant.

China provided 29% of the Group revenue, while MENA contributed 24%, down from 60% in FY2010.

Raw materials and consumables used and subcontractors' cost were reduced by 14% which was in line with the decrease in revenue. Staff costs went down by 8% with lower provisions for staff bonuses.

Depreciation, amortisation and impairment charges rose by 33% or S$9.1 million. This was due mainly to an increase in amortisation of concession agreements through Hyflux's 50% shareholding in Galaxy NewSpring Pte Ltd (the joint venture with Mitsui & Co., Ltd) and impairment of R&D activities. Higher borrowing costs were also incurred in preparation for capital expenditure requirements for the Tuaspring Desalination Plant.

On the other hand, there was a 26% reduction in other expenses as a result of gains from disposal of manufacturing equipment and lower foreign exchange loss during the year compared to FY2010.

The profit before tax for FY2011 was S$62.0 million which was 38% lower than the pre-tax profit recorded in FY2010. PATMI came in at 40% lower from S$88.5 million in FY2010 to S$53.0 million in FY2011.

While the gross margin was maintained at 46%, the net margin fell to 12% from 16% in FY2010. The net margin was affected by higher interest costs, the inclusion of amortisation of concession agreements under Galaxy NewSpring and impairment of R&D activities.

At the close of FY2011, the total order book was at S$1.87 billion. The cash position stood at S$662.4 million and the net gearing ratio was 0.18.

Outlook for 2012

"FY2011 financial results reflect the transition of earnings from MENA to Asia. In the last two financial years, we had contributions from large-scale desalination projects in Algeria and Oman. The rise of the Arab Spring has affected prospects in MENA, and the outlook in the short term for the region remains uncertain although there are pockets of opportunities. Asia, with investments earmarked for water projects to support population growth and industrialization, will continue to drive growth for Hyflux," said Ms Olivia Lum, Group President & CEO of Hyflux.

In Singapore, the Group is ramping up the development of its 318,500m^3 per day capacity Tuaspring Desalination Plant which is targeted to be completed in 2013. In China, Hyflux is undertaking expansion and enhancement works at six wastewater treatment plants that will raise capacity by a total of 100,000m^3 per day with estimated project value of S$88.0 million. The plants are part of the portfolio of Galaxy NewSpring.

On the global front, the outlook continues to be challenging for businesses. The problems in Europe and US could affect growth in China and Asia. At home, higher inflation, higher borrowing costs and higher costs for employing foreign labour could in the short term raise operating costs for the Group.

"Despite a challenging operating environment, I believe that Hyflux is in a good situation as we have in place a strong order book and strong balance sheet, and we stand ready to capture opportunities in the global water industry," Ms Lum said.

Water is a scarce resource that is getting scarcer by day. Countries around the world will continue to place emphasis on developing sustainable sources of water, such as wastewater recycling and seawater desalination. Hyflux, with its innovative membrane technologies and well-established track record, is well-equipped to address the needs of the global water industry.

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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 is committed to providing cost-effective and sustainable solutions in 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 first seawater reverse osmosis (SWRO) desalination plant and China's largest SWRO desalination plant in Tianjin City. The company is building the world's largest SWRO desalination plant in Magtaa, Algeria as well as Singapore's second SWRO desalination plant, both of which are being developed on a design, build, own and operate model.

For more information, please visit www.hyflux.com

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