



NEWS RELEASE

HYFLUX RECORDS 25% JUMP IN 1Q NET PROFIT TO S\$6.4 MILLION

- **Revenue rises 15% to S\$101.3 million**
- **Gross margin expands to 41%**

Singapore, 5 May 2010 – Mainboard-listed Hyflux Ltd (“Hyflux” or “The Group”) posted a 25% rise in profit attributable to shareholders for the first three months ended 31 March 2010. The net profit of S\$6.4 million was achieved against a 15% rise in Group revenue of S\$101.3 million.

Gross margin expanded to 41% in the first quarter of FY2010, compared to 32% in the first quarter of FY2009.

Commenting on the Group’s performance for the first quarter, Ms Olivia Lum, Hyflux’s Group CEO, said: “We registered improvements at both top-line and bottom-line due mainly to strong municipal sector sales and to continued emphasis on cost management and quality execution.”

Financial Review

The Group’s revenue for the first quarter was boosted by higher revenue contributions from the Middle East & North Africa (“MENA”) region where the Group is developing two large-scale desalination projects in Algeria, including the world’s largest membrane-based seawater desalination plant in Magtaa with a designed capacity of 500,000m³ of water per day. The MENA region contributed 78% of total revenue. The China market contributed 15% of total revenue, while Singapore and other markets made up the remaining 7% of total revenue.

Despite the higher revenue recorded, costs arising from raw materials and consumables used and sub-contractors’ cost as well as staff costs remained stable.

Depreciation and amortisation rose 38%. Finance costs went up by 16% because of higher loans and borrowings in the first quarter of 2010.

Other expenses rose from S\$4.7 million to S\$15.2 million due to higher professional fees and utilities charges. In addition, a net foreign exchange gain was recorded in the first quarter of FY2009, lowering other expenses recorded for that period.

The Group's cash position continued to strengthen in the new financial year. Cash and cash equivalents stood at S\$198.8 million at the end of March 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 the Group's revenue. Both the MENA region and China will remain as key markets for the Group in the municipal sector where Hyflux has established a strong track record in desalination and in wastewater treatment and recycling.

In the area of wastewater treatment and recycling, there is an increasing demand for plants with smaller footprints along with advanced membrane technologies, such as Membrane Bioreactor (MBR) systems that are able to treat and produce consistent, high-quality effluent fit for re-use applications. Winning the contract to build Singapore's largest MBR plant has placed the Group in an advantageous position to offer MBR solutions in the key markets that it is operating in. The Group will focus on the development of this new market segment.

The global demand for sustainable water solutions has taken on a new urgency as developed and developing countries alike grapple with acute water shortages. Hyflux has the technology and cost-effective solutions to help these countries meet their demand for clean, safe and affordable water.

While the global economic situation has improved, inherent risks remain that could thwart business recovery. For instance, a significant increase in the prices of commodities and in oil prices will have an impact on business costs, while credit tightening will have implications on credit spreads.

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About Hyflux

Hyflux is one of the world's leading technology-driven environmental 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 and potable water treatment, to renewable resources management in the fields of oil recycling and specialty materials. The company is building the world's largest membrane-based seawater desalination plant in Magtaa, Algeria. It has completed building China's largest membrane-based seawater desalination plant in Tianjin Dagang.

Hyflux was accorded Desalination Company of the Year 2010 (Distinction) by Global Water Intelligence (GWI). Its Magtaa Desalination Plant and Tianjin Dagang Desalination Plant were high commended in their respective categories at the same GWI awards. Hyflux was previously voted the Water Company of the Year in 2006 by GWI. It was conferred the Forbes Best Companies under One Billion in 2006 and 2007, and won Frost and Sullivan's Technology Innovation of the Year Award 2007- Desalination Technologies (Asia Pacific) and its Technology Innovation of the Year Award 2007- Residential Water Treatment Equipment Market (Southeast Asia).

For more information, please visit www.hyflux.com

For media queries, please contact:

Seah Mei Kiang (Ms)

Corporate Communications, Hyflux Ltd

DID: (65) 6580 6814

Email: meikiang_seah@hyflux.com

Catherine Hu (Ms)

Corporate Communications, Hyflux Ltd

DID: (65) 580 6808

Email: catherine_hu@hyflux.com

Issued on behalf of: Hyflux Ltd

By: Citigate Dewe Rogerson iMAGE Pte Ltd

Contact: Dolores Phua (Ms) / Carol Wee (Ms)

Tel: (65) 6532 5122 (Office)

97508237 / 97305754 (Handphone)

Email: Dolores.phua@citigatedrimage.com

Carol.wee@citigatedrimage.com