NEWS RELEASE

HYFLUX POSTS NET LOSS OF S$116.4 MILLION IN FY2017

- **Loss driven by weak Singapore electricity market**
- **Cash balance of S$314 million, excluding another S$77 million held for sale**
- **Redemption of Preference Shares deferred until Tuaspring divestment**

Singapore, 27 February 2018 – Hyflux Ltd (or the Group) reported loss after tax and minority interest of S$116.4 million in FY2017, compared with restated profit of S$3.8 million in FY2016. The loss was mainly caused by the continued weak electricity prices across the Singapore power market.

The Tuaspring Integrated Water and Power Project (Tuaspring) registered net loss of S$81.9 million in FY2017, with Singapore wholesale electricity prices clearing at levels that are below fuel costs when dispatched by power generation companies to the national power grid.

Excluding Tuaspring, FY2017 revenue was S$353.6 million, 57% lower than FY2016, while FY2017 loss after tax and minority interest was S$34.5 million. This was largely contributed by lower Engineering, Procurement and Construction (EPC) activities, in line with the respective construction phases of the Group's major projects in Oman and Singapore.

Projects from the Municipal segment continued to be the main contributor, accounting for about 82% of the Group's revenue. From geographical perspective, Singapore and the Middle East North Africa (MENA) region continued to be the Group's key markets, accounting for 64% and 25% of total revenue respectively.

In 4Q2017, the Group successfully concluded the sale and partial leaseback of the Tuas manufacturing facility with a net gain of S$40.2 million and received sales proceeds of S$95.0 million.

As at 31 December 2017, the Group's total cash balance was S$314.2 million, excluding another S$77.2 million of cash reported as Asset Held for Sale. Net gearing was at 1.2 times.

Outlook for the year

The oversupply of gas in the Singapore market has resulted in depressed electricity prices sold by power generation companies to the national grid. This continued weakness in the Singapore power market is expected to pose challenges for the Group's performance in 2018. Unless the Singapore power market shows improvement, the Group expects to continue recording losses in 2018.

Despite the near-term challenges in the Singapore power market, the Tuaspring plant is still a world-class Integrated Water and Power Project with a 25-year service concession up to 2038. The largest asset on our balance sheet, Tuaspring was funded through a mix of project financing and corporate financing, including the 6% Cumulative Perpetual Class A Preference Shares (Preference Shares) which is due for first call date redemption in April 2018. While the process has taken longer than initially expected, we remain committed to the partial divestment of Tuaspring at an acceptable price. In light of the delay in divestment, the Group is unlikely to complete any divestment deal ahead of the first call date in April 2018 for redemption of its Preference Shares. Consequently, it is likely that redemption will be deferred until divestment of Tuaspring is concluded, with the coupon yield for the Preference Shares stepping up from 6% to 8% in the meantime, at an additional $8 million per annum.

At the end of 2017, the Group recorded total cash balance of S$314.2 million, excluding another S$77.2 million of cash reported under Assets Held for Sale. In addition, we will be able to progressively draw down on unutilised committed project finance loans of approximately S$400 million to support completion of our ongoing projects. We are also due to collect some receivables for our EPC work done in the MENA region.

Operationally, the focus is on execution of the TuasOne Waste-To-Energy (WTE) project in Singapore, which is on track for completion in 2019. The Qurayyat Independent Water Project (IWP) project in Oman is in the final stages of testing and commissioning. Contract negotiations for the Ain Sokhna Integrated Water and Power Project in Egypt, which is converting from an EPC contract to a Build, Operate and Transfer structure, is in progress. The Group is still actively pursuing new infrastructure projects, although tender results for a number of projects in the pipeline have been further delayed, which is not unusual for such municipal tenders.

The Group has also been recently approached by several potential investors interested in strategic collaboration, with intention to inject additional funds for the Group's growth activities. One of the main attractions for these investors is the Group's strong track record in the seawater desalination sector, which is an important competitive advantage for securing international water projects. These discussions are currently taking place. More details will be shared when developments reach a more conclusive stage.

Finally, the dividend *in specie* of the HyfluxShop business was completed on 15 February 2018. Hyflux Ltd continues to be the single largest corporate shareholder with 30.4% stake in HyfluxShop.

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About Hyflux

As a global provider of sustainable solutions, Hyflux is committed to resource optimisation and sustainable development. A specialist in water treatment and among the top global desalination plant providers, Hyflux is distinctive in its ability to address the challenges at every point of the water value chain. The Group has expanded its offerings to include power generation and waste-to-energy. It also entered into the wellness industry with the ELO brand to broaden its consumer market portfolio.

Headquartered and listed in Singapore, the Group employs more than 2,800 employees worldwide. Hyflux's track record spans across Asia, the Middle East and Africa. It includes one of the world's largest seawater reverse osmosis desalination plants in Algeria and Asia's first Integrated Water and Power Plant in Singapore.

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