

*Hyflux*TM



1H 2006 Results Review
8th August 2006

Agenda

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Financial Review

2

Building Foundation for Global Growth






3

Outlook

Financial Review



Financial Highlights

	1H 2006	1H 2005	+ / (-) %
Sales	S\$71.2m	S\$43.1m	 65%
PAT	S\$12.2m	S\$31.8m	 (62%)
PATMI	S\$12.6m	S\$23.0m	 (45%)
Operating Profit *	S\$12.4m	S\$5.8m	 114%
EPS	2.44cents	4.67cents	 (48%)
Net Debt-to-Equity Ratio (including PF loan)	0.25	0.05	

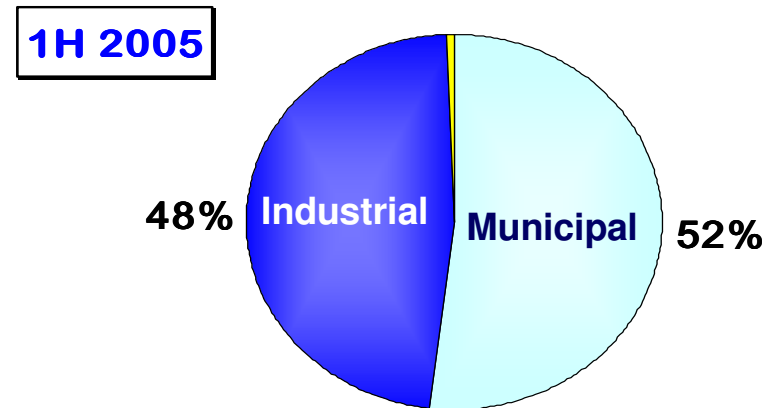
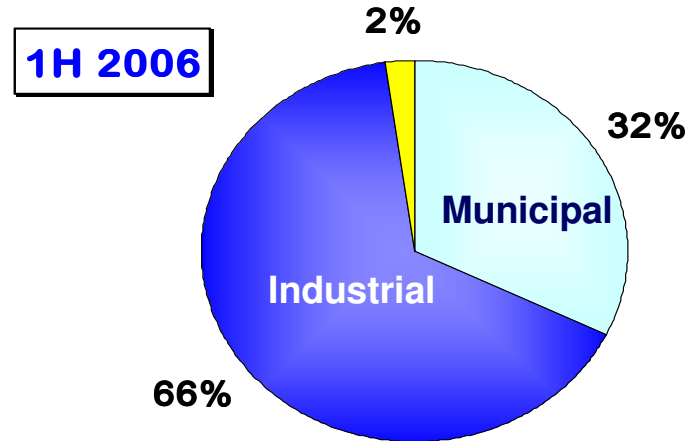
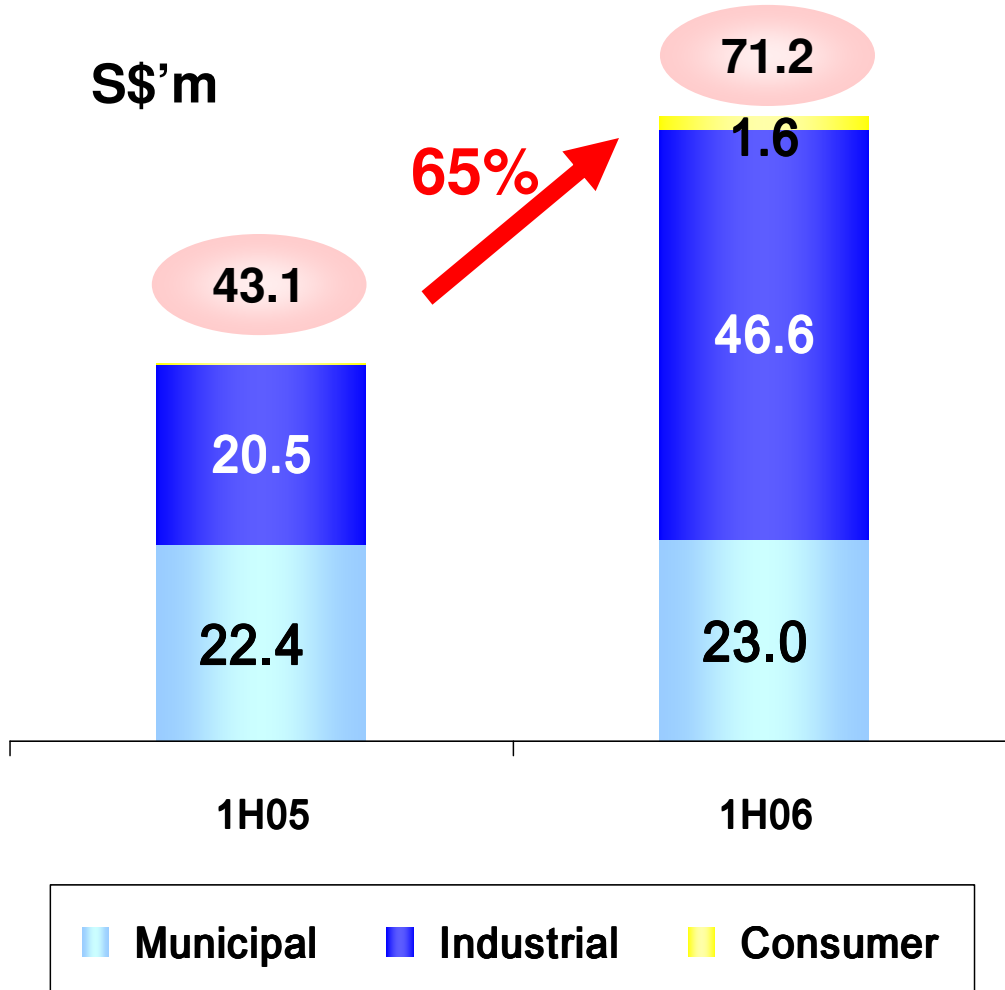
* Excludes one time and fair value gains

Strong Performance - Core Business

- **Improved contributions from core business**
 - Industrial sales increased by 128% to S\$46.6m, driven by pharmaceutical and biotechnology sectors
 - Higher municipal sales from China and Singapore

Revenue by Sector

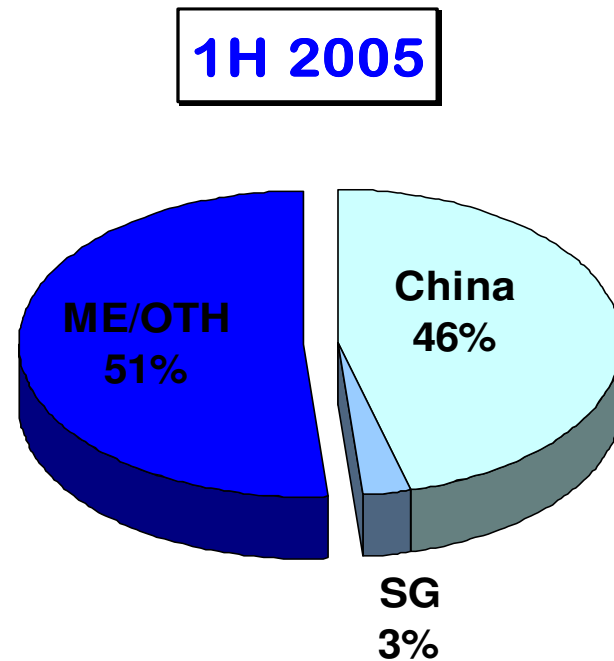
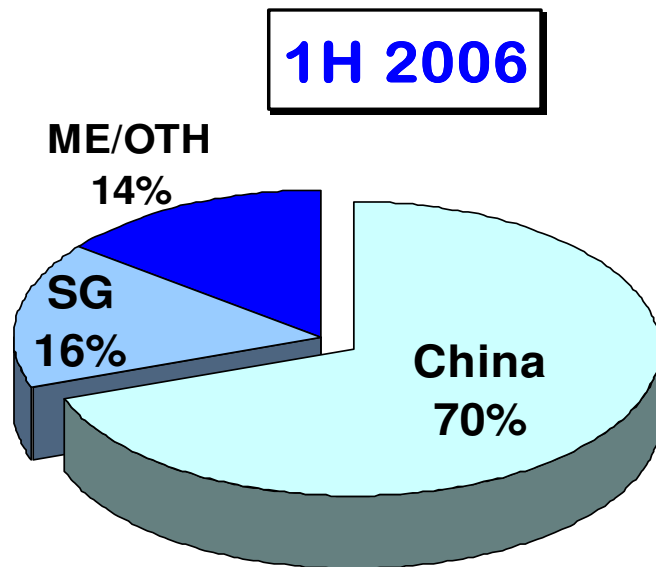
Industrial sales continues to grow



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Revenue by Country

China - key revenue driver





Strong Performance - Core Business

- **Improved contributions from core business**
 - Industrial sales increased by 128% to S\$46.6m, driven by pharmaceutical and biotechnology sectors
 - Higher municipal sales from China and Singapore

- **PATMI of S\$12.6m, 45% lower than 1H2005**
 - 1H2005 boosted by S\$17.2m one-time and fair value gains
 - Higher investment in personnel and development costs for future earnings

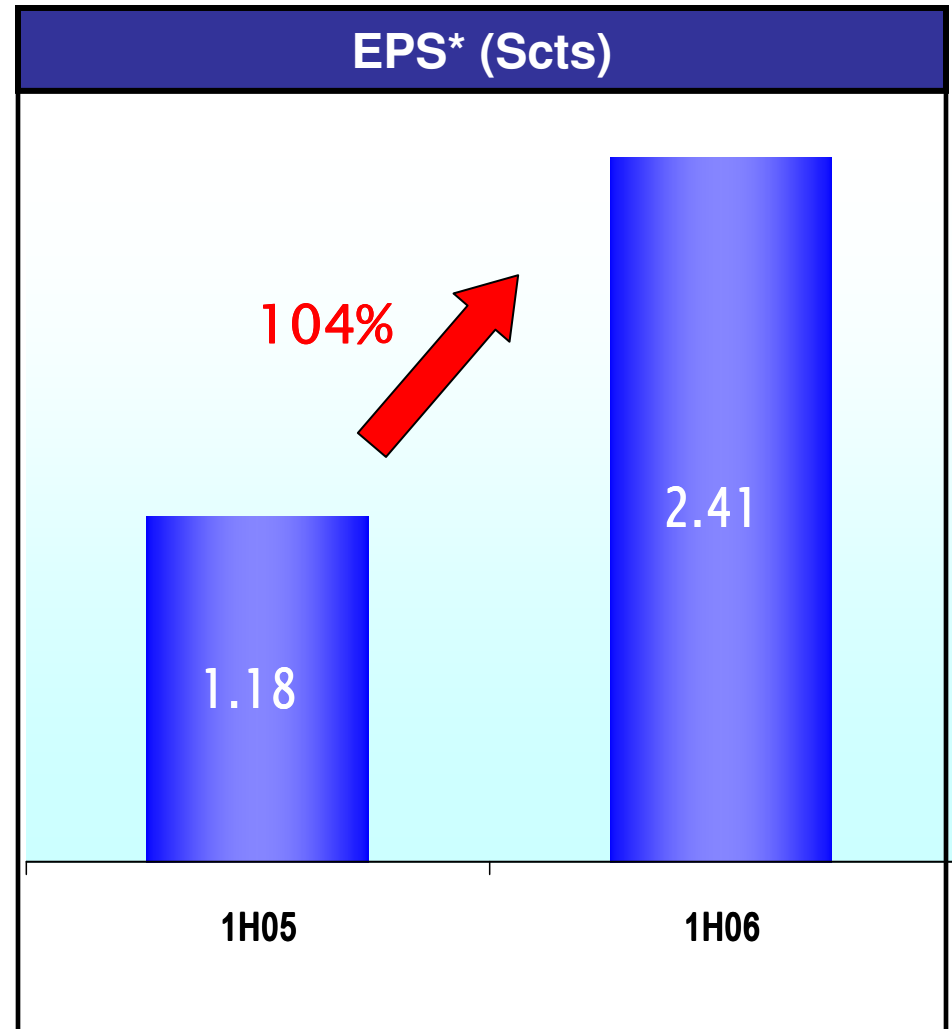
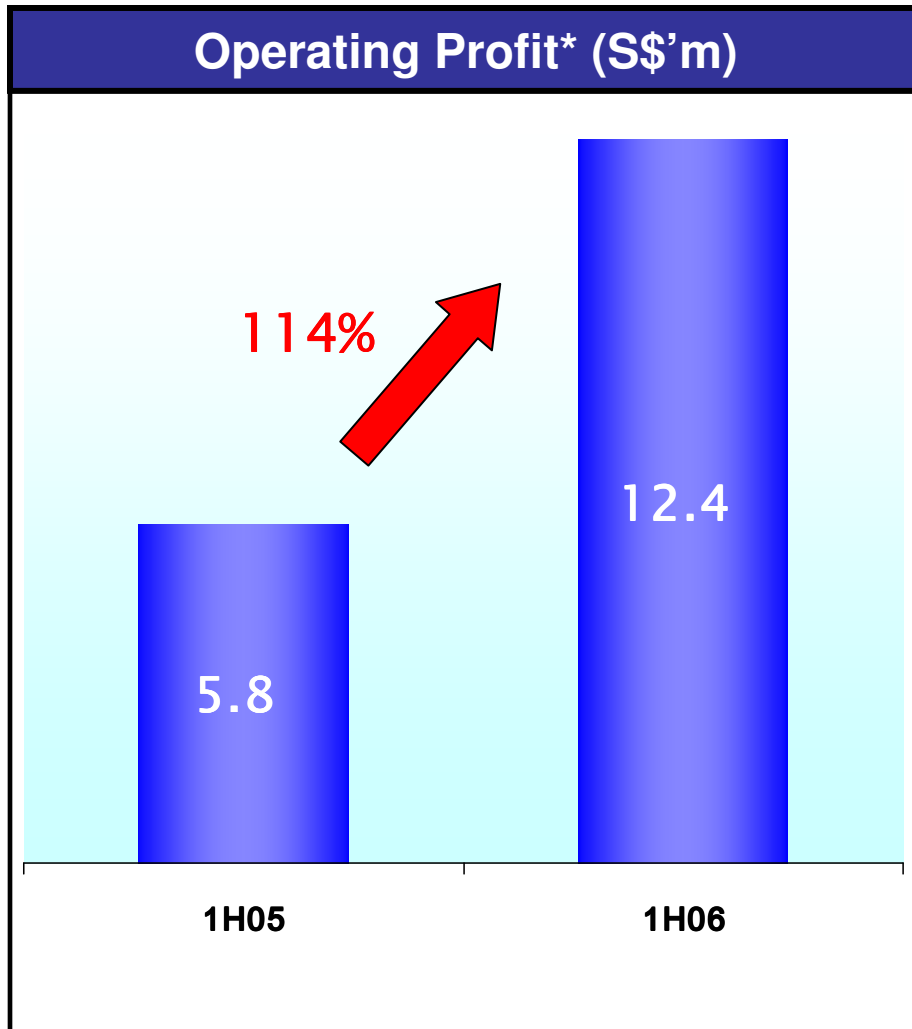
Strong Core Operating Profits

	1H 2006	1H 2005	+ / (-) %
PATMI	S\$12.6m	S\$23.0m	
Less: One time and fair value gains	(S\$0.2m)	(S\$17.2m)	
Operating Profit	S\$12.4m	S\$5.8m	 114%
EPS (excluding one time and fair value gains)	2.41cents	1.18cents	 104%

Core Operating Profits improved by 114%

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Growth in Core Operating Profits



* Excludes one time and fair value gains

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Strong Revenue Growth

S\$m

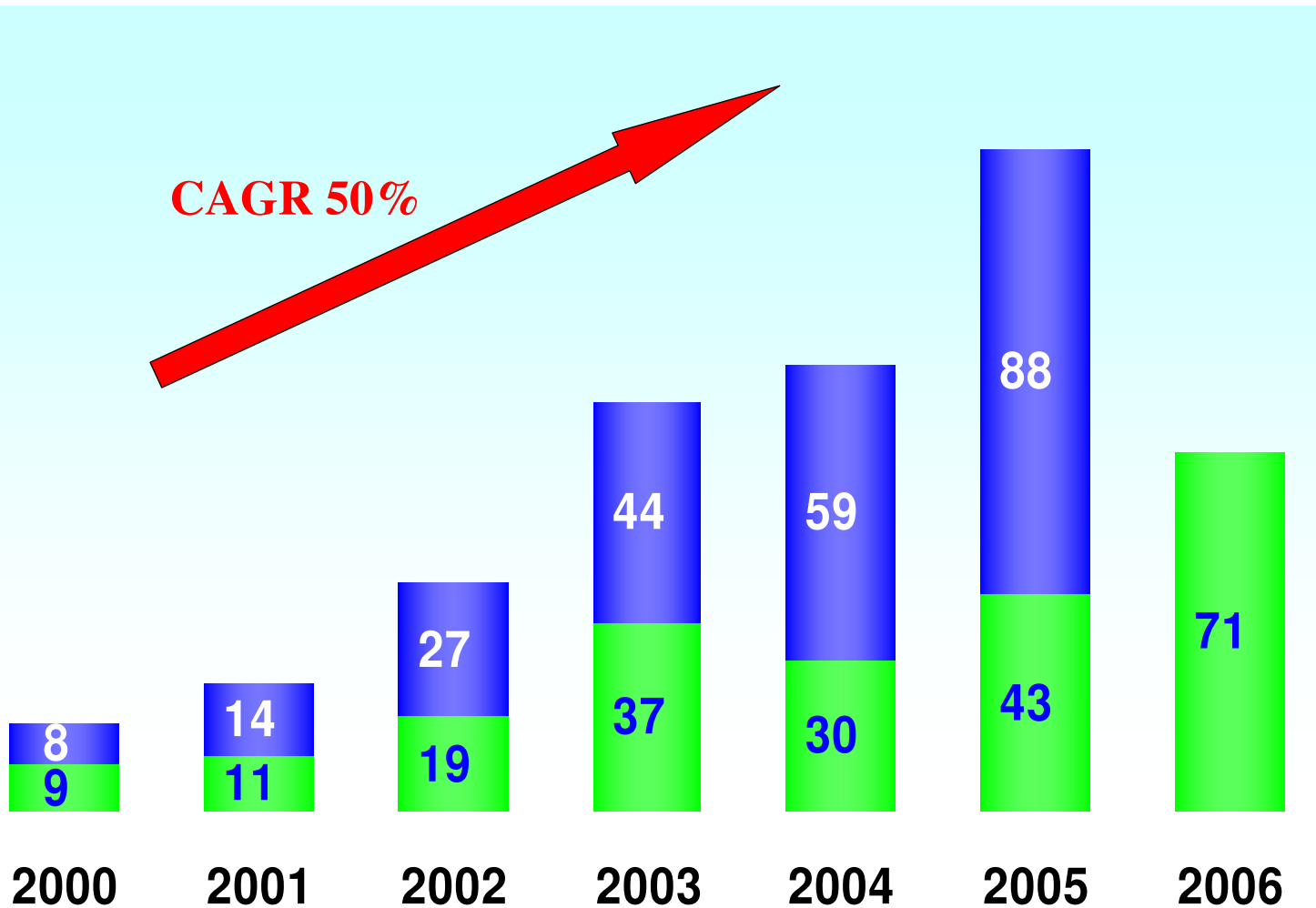
160

120

80

40

0

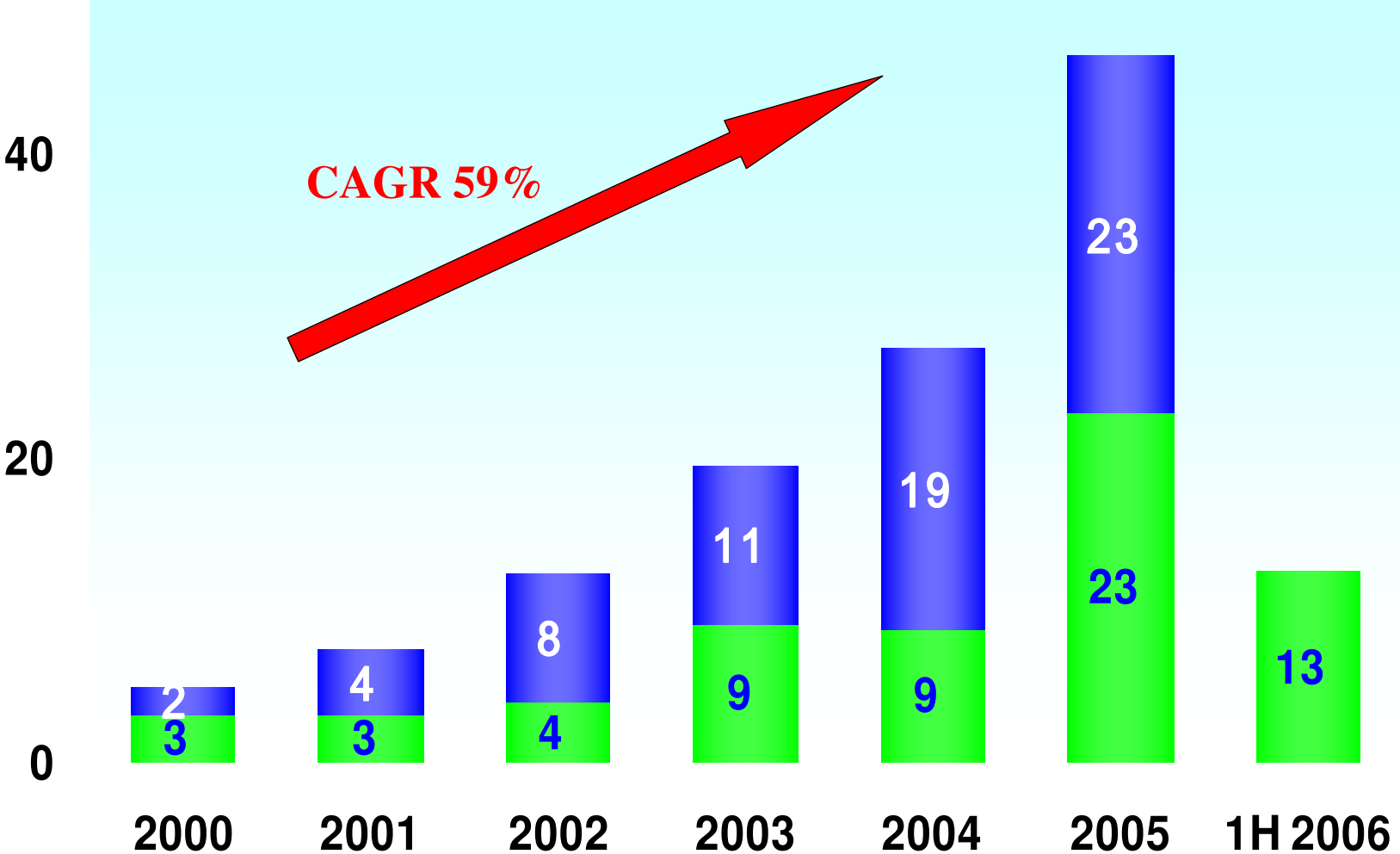


■ 1H ■ 2H

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Strong Profit Growth

S\$m



■ 1H ■ 2H

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Strong Cash Position

**Strong Cash Position of
S\$61.1m**

Cash Flow Analysis

In S\$m	1H 2006	1H 2005	Change
Profit before working capital changes adjusted for non cash item	20.2	19.3	5%
Cash generated from / (used in) operations	7.5	(19.7)	NM
Payment of tax	(0.6)	(0.1)	523%
Net cash generated from / (used in) operations	6.9	(19.8)	NM
Net cash used in investing activities	(28.9)	(36.5)	(21%)
Net cash (used in) / generated from financing activities	(10.3)	65.4	NM

Healthy Cash Flow

- **Net cash generated from operations of S\$6.9m**
 - Positive working capital changes
 - Progress payments received for contracts and related parties
- **Net cash used in investing activities of S\$28.9m**
 - Acquisitions of subsidiaries, technologies and investments in JVs for DBOO/DBOT projects in China
- **Net cash used in financing activities of S\$10.3m**
 - Repayment of term loans and interest payments
 - Dividends distribution to shareholders of S\$6.9m

Healthy Debt to Equity Ratio

Amts in S\$'million	Jun 06	Dec 05	Change
PF Loan	79.1	75.8	+3.3
Long Term	2.4	30.9	-28.5
Short Term	31.5	0.4	+31.1
Total Borrowings	113.0	107.1	+5.9
Less : Cash & cash equivalents	(61.1)	(96.4)	-35.3
Net Borrowings	51.9	10.7	+41.2
Net debt to equity ratio (including PF* Loan)	0.25	0.05	
Net debt to equity ratio (excluding PF* Loan)	Net Cash	Net Cash	

* PF – Non-recourse project financing

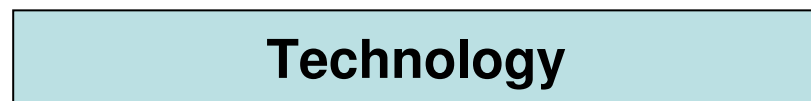
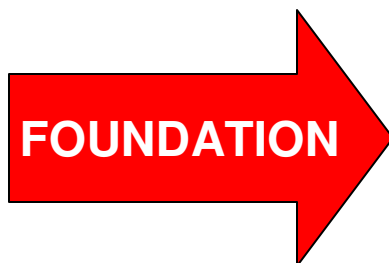


Building Foundation for Global Growth



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Growth Engines



Leverage on Proven Technologies

**Invest
in R&D**

- Largest membrane and materials research center in Asia outside Japan
- About 115 R&D staff, 35% increase in researchers and engineers

**New
Products**

- Comprehensive range of membranes
 - Polymeric, stainless steel and ceramic membranes

**New
Applications**

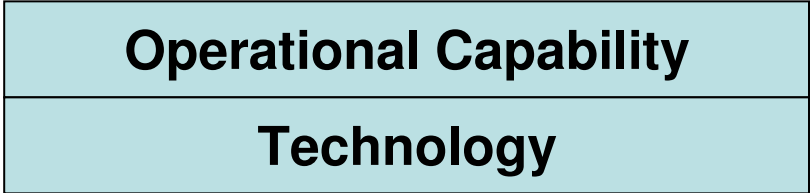
- Oil recycling, pharmaceuticals, biotechnology, chemicals and petrochemicals

**Process/Product
Improvements**

- Design
- Membranes
- Integration

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Growth Engines



Building Operational Excellence

Project Management

- Proven track record for large scale projects

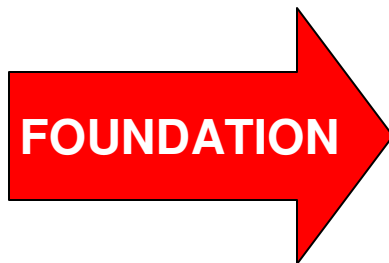
Global Competencies

- Beyond technical competencies
- Relationship management, globalisation factors, personal value, leadership dynamics, customer management

Infrastructure Development

- Leverage on IT to support global operations
- Improve business processes
- Knowledge management

Growth Engines



Financial Capability
Operational Capability
Technology

Strong Financial Capability

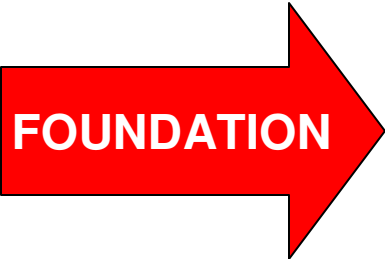
**Financial Structuring
Expertise**

**Optimize
Capital Structure**

- **EUROMONEY:
Water Deal of the Year 2003**
- **Investment by International Finance Corporation (IFC) (Mar 2006)**
 - US\$20M Equity Interest in SinoSpring
 - US\$25M Facility Loan Agreement
- **US\$138M Syndicated Facilities (May 2006)**
 - 14 International banks including China, Taiwan, Malaysia, Europe, India and Major Local Banks
- **Pursuing funding through business trust structure**

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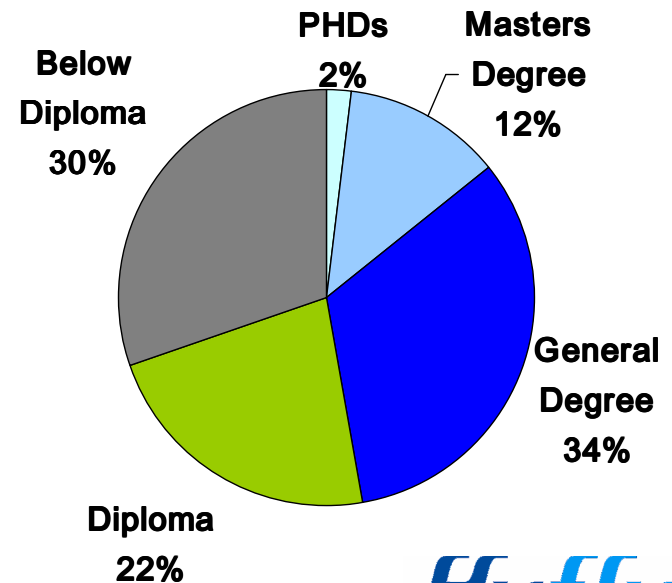
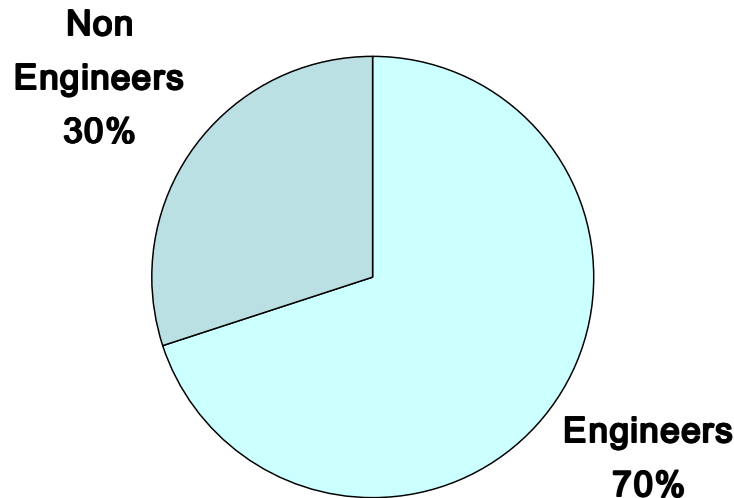


Human Capital	Financial Capability
	Operational Capability
	Technology

Align Human Capital with Business Strategy

Headcount

- About 800 headcount, 111% increase in personnel expenses
- >70% tertiary education
- 70% engineering background
- 13 PhDs

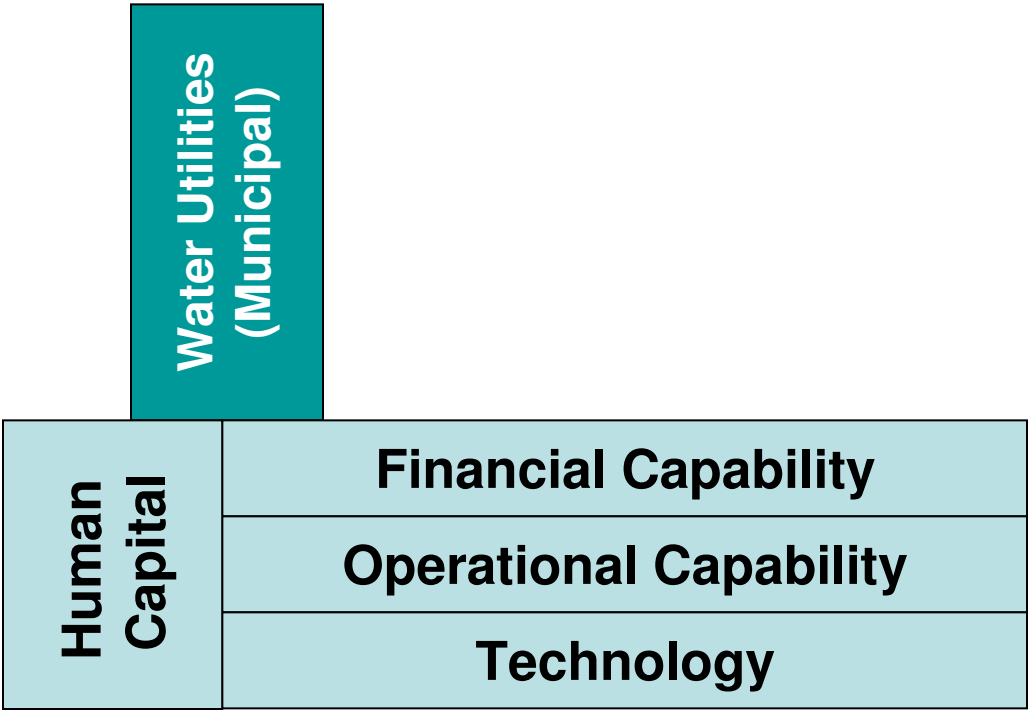


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Growth Engines

PILLARS OF GROWTH

FOUNDATION



Water Utilities (Municipal)

- Large order book of S\$243M
- Estimated completion: 2006-2008
- Focus on successful project execution
- When completed, substantial recurring income stream for next 20-30 years
- Pursuing projects in SEA, India, China and MENA region

Water Utilities (Municipal)



Liaoning Province
1. Huludao, Desal
2. Liaoyang
WWTP/WRP

Tianjin
Desal

Henan Province,
Lushan WTP

Jiangsu Province
1. Yangkou WCP
2. Yangzhou WWTP
3. Wuxi WWTP
4. Dafeng WCP
5. Wujin WWTP
6. Changshu WWTP
7. Taizhou WWTP

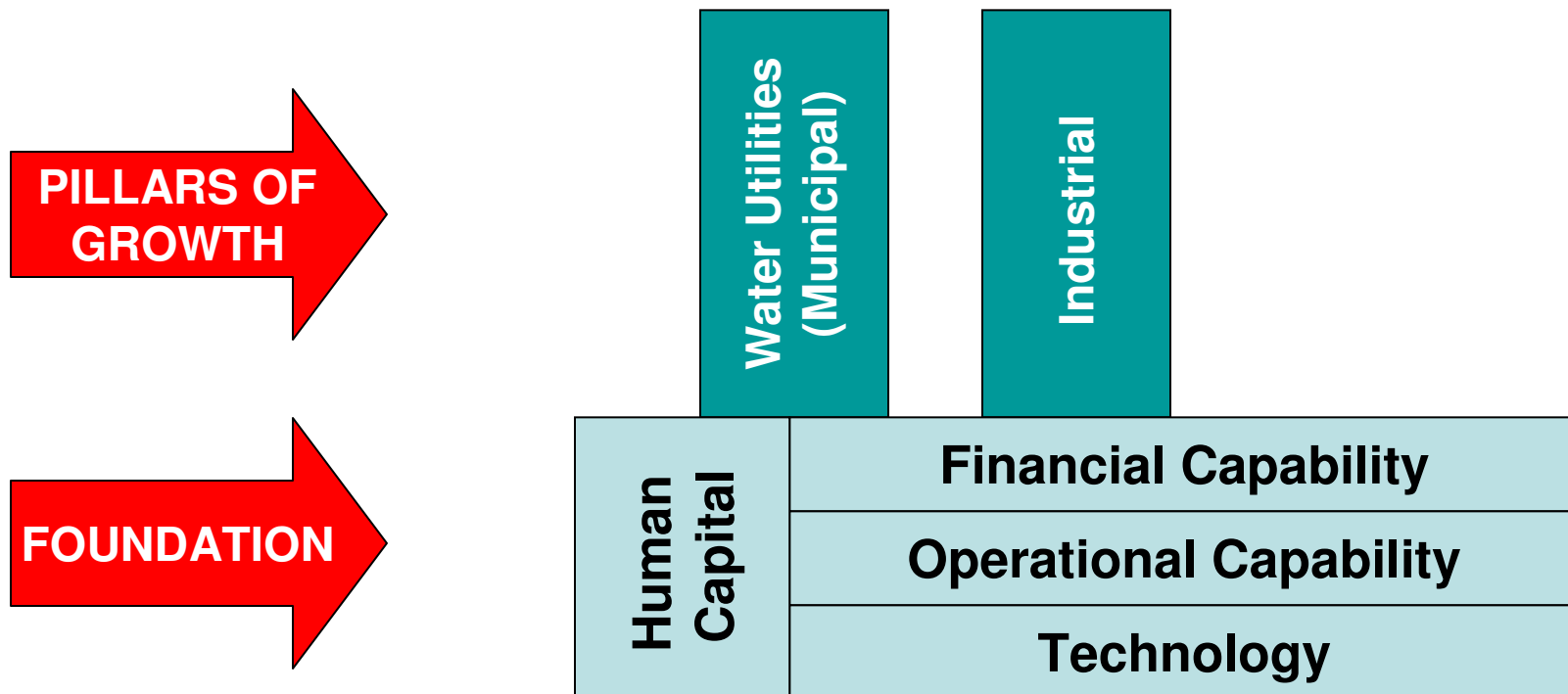
Tiantai
WWTP



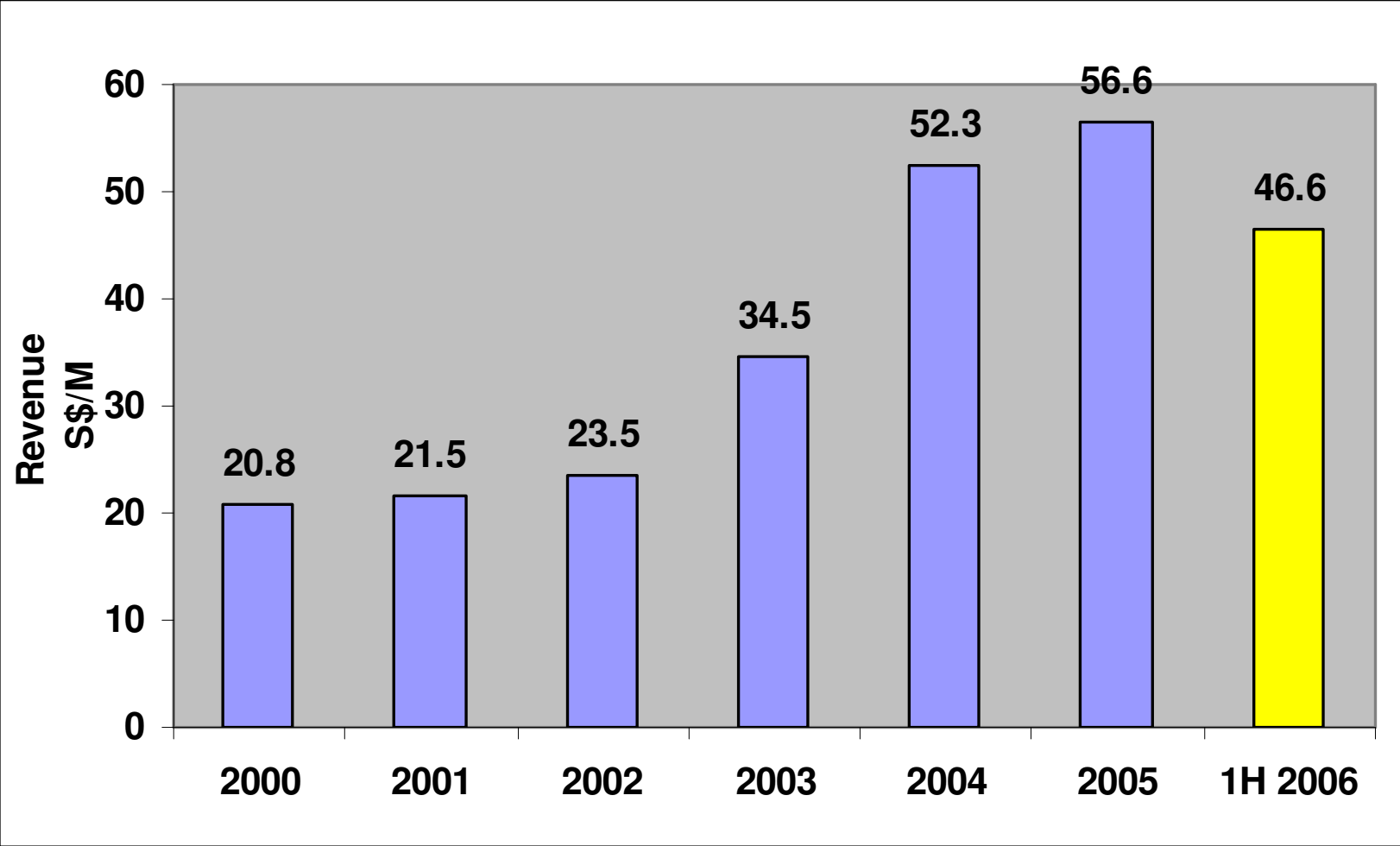
Water Utilities (Municipal)

Project	Year of Completion	Project Cost (\$M)	Capacity (m3/day)
Jiangsu, Yangkou WCP	2006	12.2	20,000
Jiangsu, Wuxi WWTP	2006	9.6	20,000
Jiangsu, Changshu WWTP	2006	16.8	30,000
Jiangsu, Taizhou WWTP	2006	9.4	20,000
Zhejiang, Tiantai WWTP	2006	9.0	20,000
Liaoning, Liaoyang WTP/WWRP	2007	10.0	30,000
Henan, Lushan WTP	2007	12.4	30,000
Jiangsu, Yangzhou WWTP	2007	14.0	20,000
Jiangsu, Dafeng WCP	2007	11.0	20,000
Tianjin Desal	2007/2008	154.0	100,000
Jiangsu, Wujin	2008	14.0	40,000
Liaoning, Huludao Desal	Hold	80	50,000
Total		352.4	400,000

Growth Engines



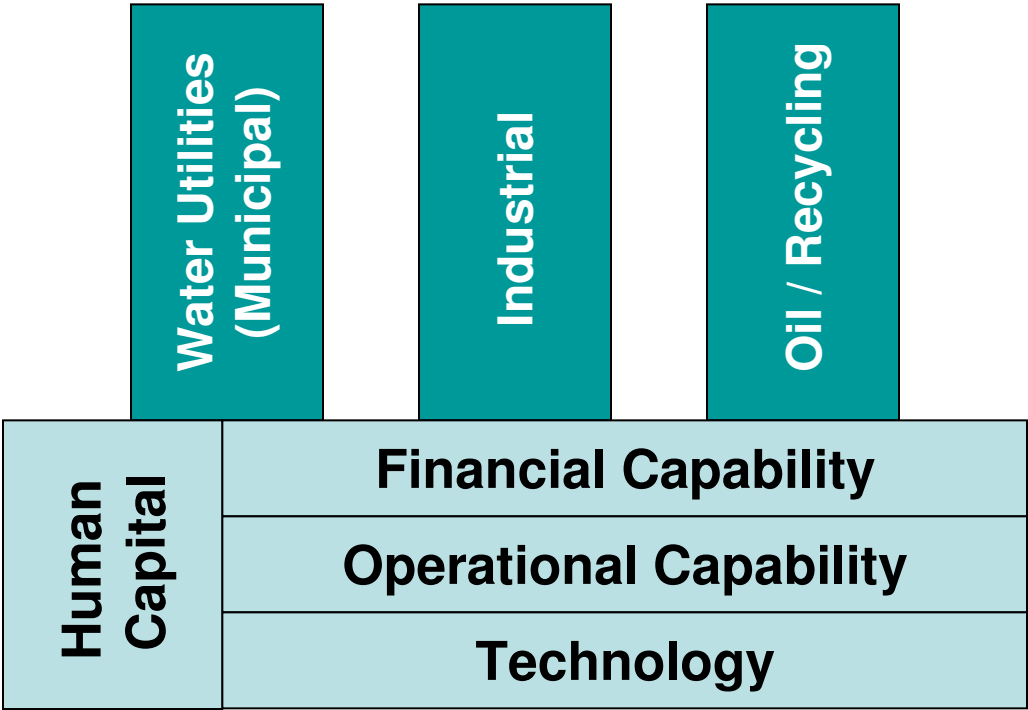
Strong Industrial Growth



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PILLARS OF GROWTH

FOUNDATION



Oil Recycling Business

Huge
Market
Potential

Proven
Technology

Attractive
Returns

- **Asean, China, India, MENA**
- **Volume: 3,506,000 ton/year**
- **Value: US\$2.1b**
- **Environmentally friendly**
- **Low energy consumption**
- **Cost competitive**
- **High quality recycled oil**

- **Equity returns >20%**

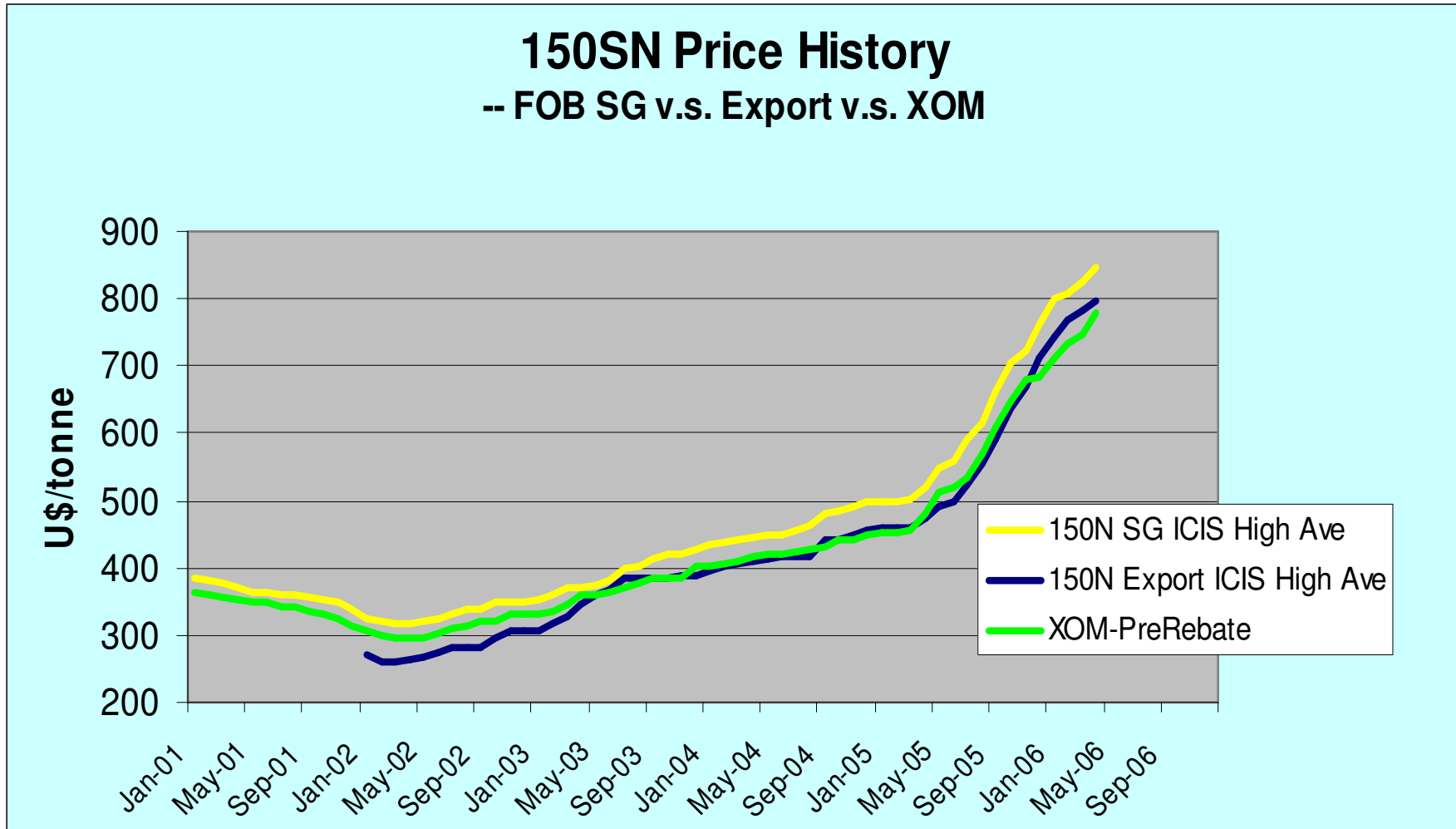
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Types of Used Oil and Their Applications

Oil type / Application	Hydraulic / Slideway oil	Turbine, / transformer / heat transfer/ circulating oil	Engine Oil	Cylinder/ crankshaft / Sterntube oil	Gear Oil	Quench oil	Metal Working Fluid
Plastic Injection moulding	xxx				x		
Petrochemical Industry		xxx			x		x
Mills eg steel mills	x	x			x	x	xxx
Aircraft component machine shop		xxx			x		
Marine Industry			x	xxx	x		
Automobile Mfg Plant/ vehicle service plant	x		xxx		x		
Industrial Plant (Repair/Maintenance)	x	x			x		
Power Plant	x	xxx	x		x		
Machine Tool Plant					x	xxx	

xxx abundant supply

Base Oil Price Trend



Market Potential

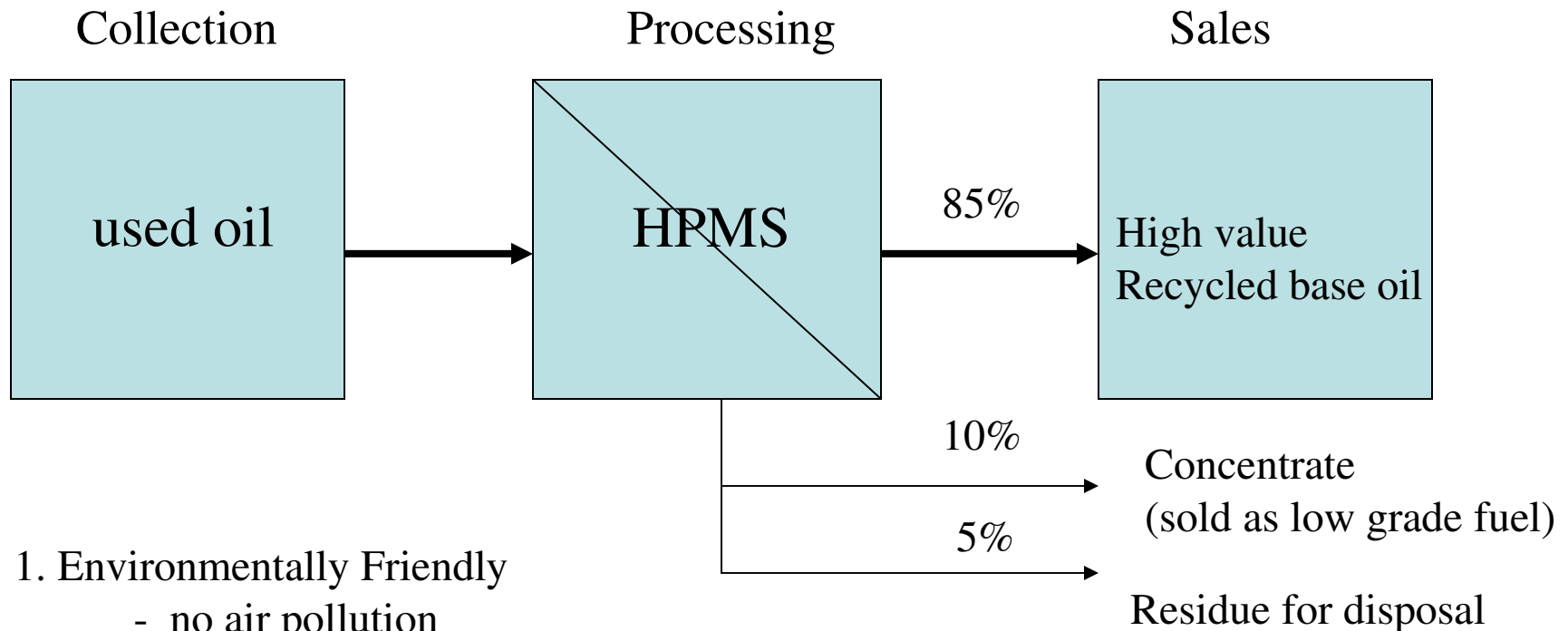
Country	Annual used oil output (ton/year)	Potential Market Value* (US\$ million/year)
Asean	356,000	218
China**	2,500,000	1,530
India	350,000	214
MENA	300,000	184
Total	3,506,000	2,146

* Assuming 85% recovery rate and the recovered oil can be sold US \$720 /ton (~80% of virgin base oil price @US\$900/ton)

** Output of used oil for China is based on 60% of 2005 lube oil consumption; other regions are ref to 2003 data

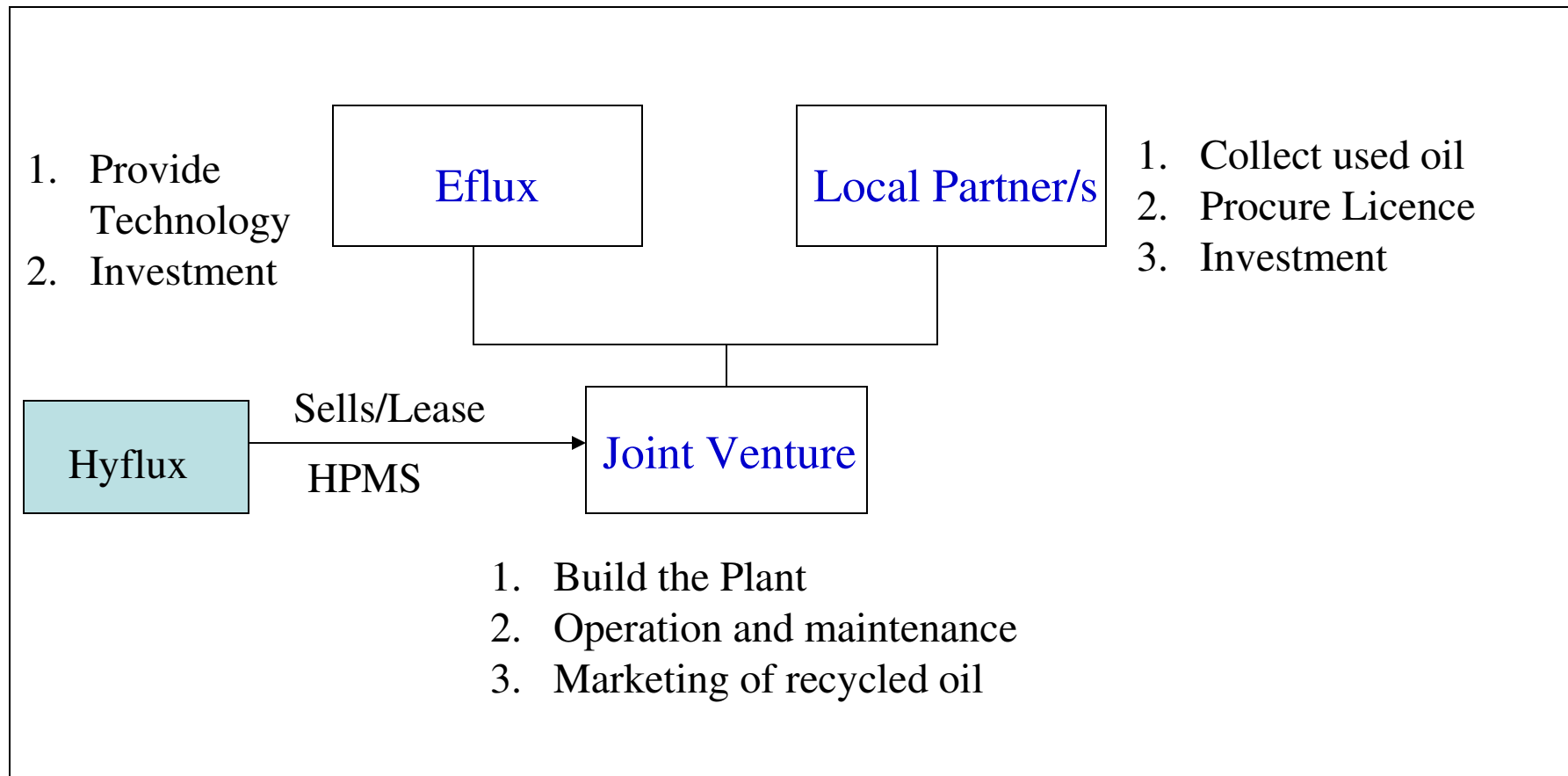


Hyflux Proprietary Membrane System (HPMS)

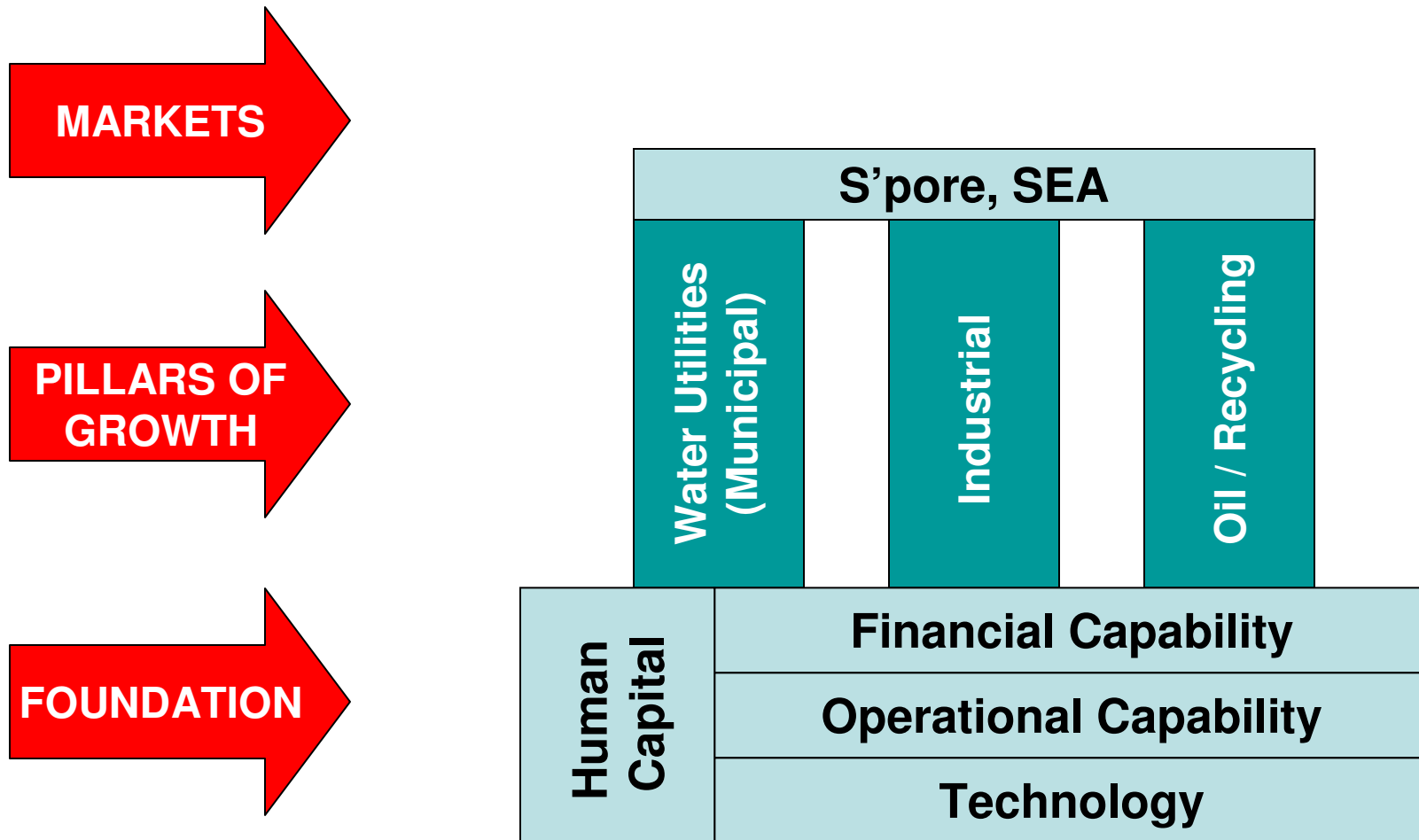


1. Environmentally Friendly
 - no air pollution
 - Chemical free
 - less solid waste
2. Low Energy consumption
3. Robust and minimal maintenance
3. Cost Competitive
4. Ease of operation
5. High quality recycled oil

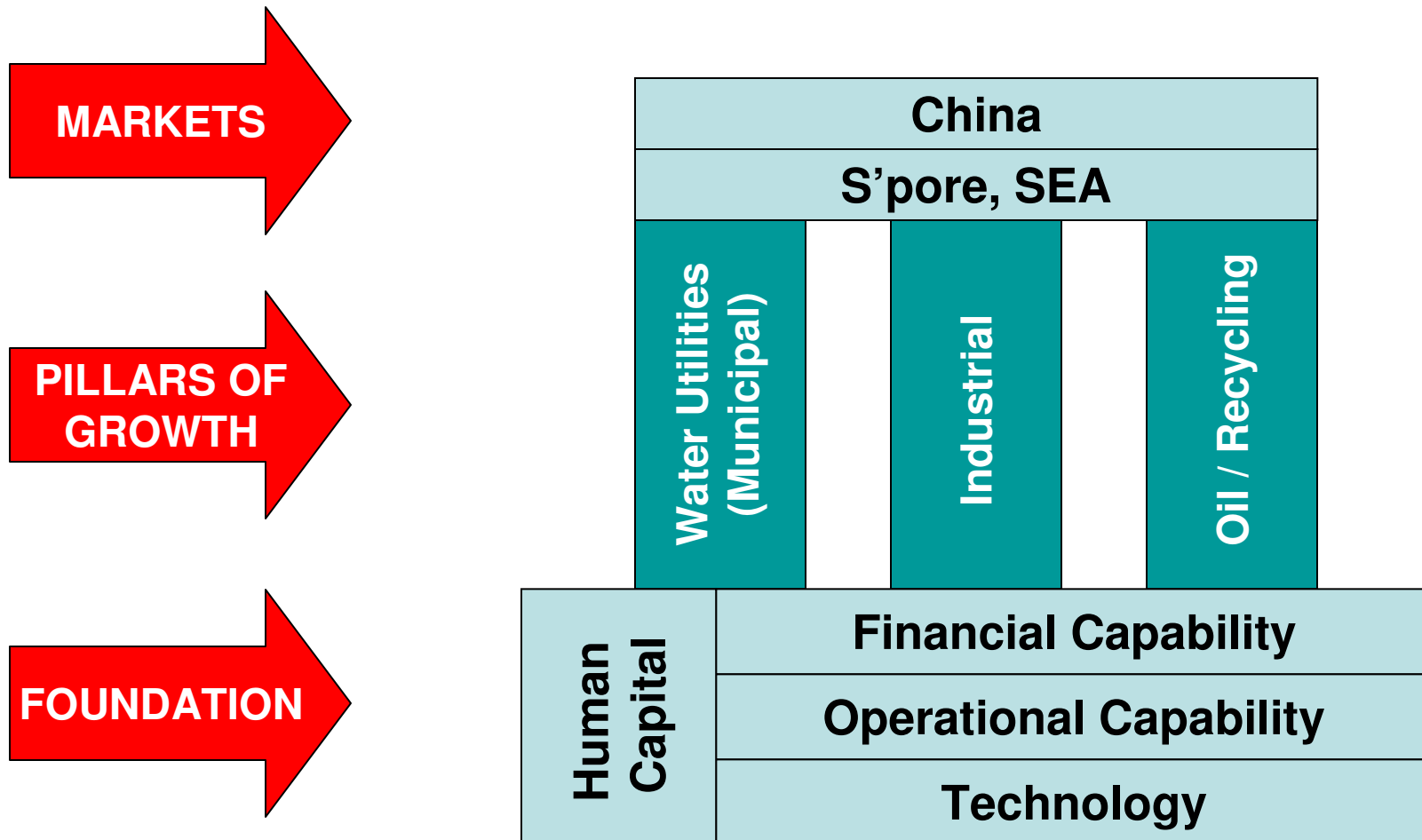
Proposed Business Model



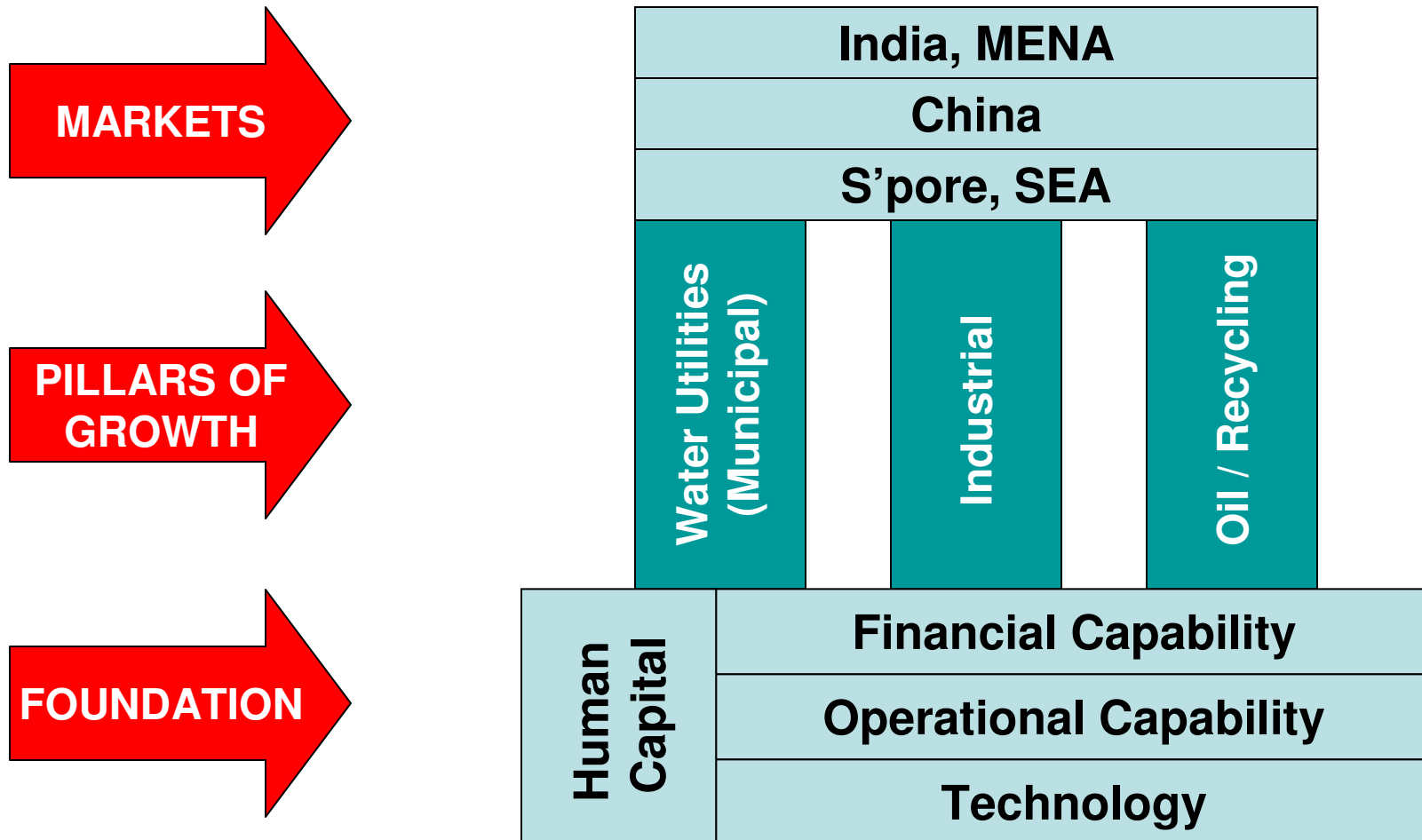
Growth Engines



Growth Engines



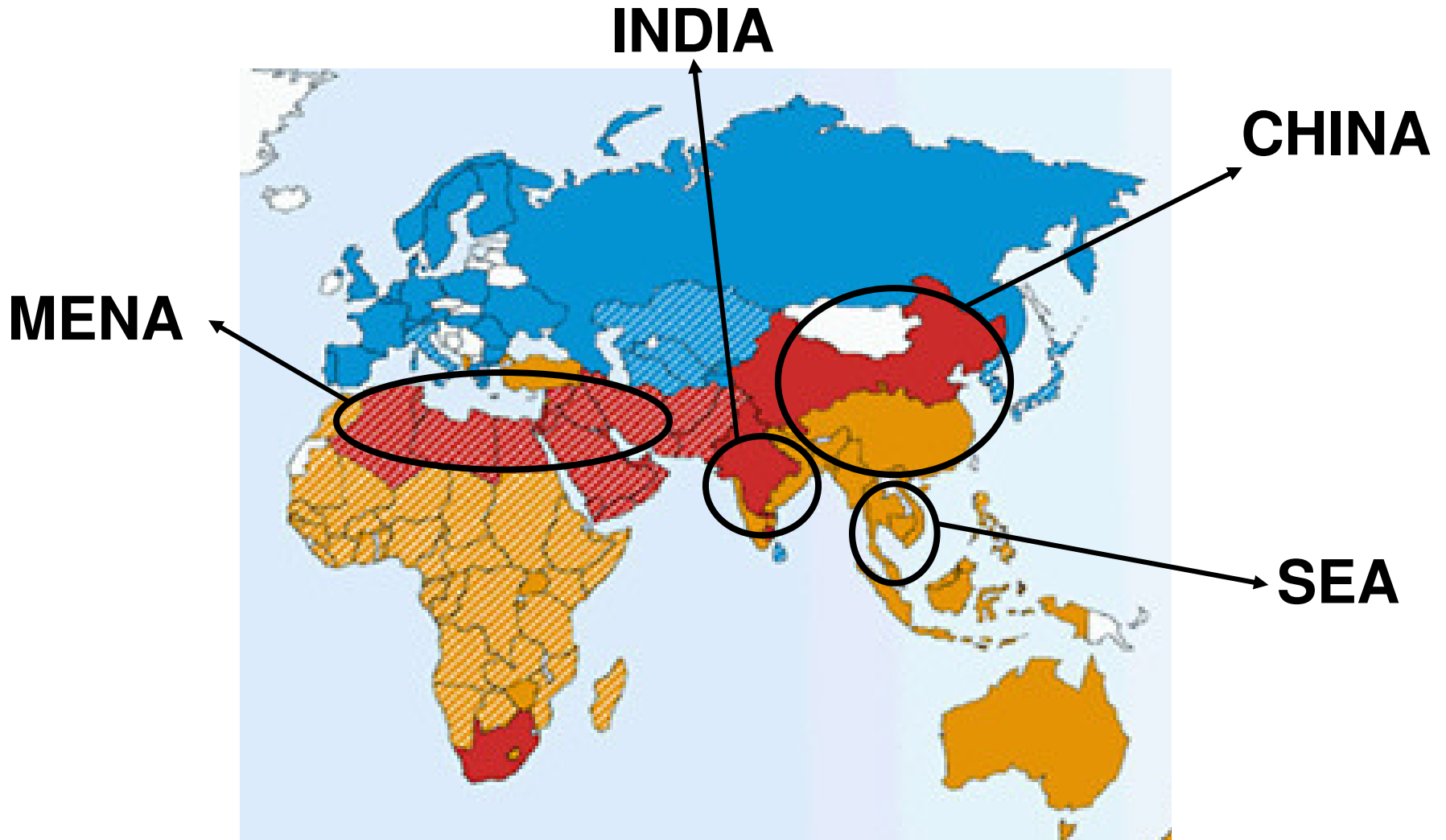
Growth Engines



Breaks Into Indian Market

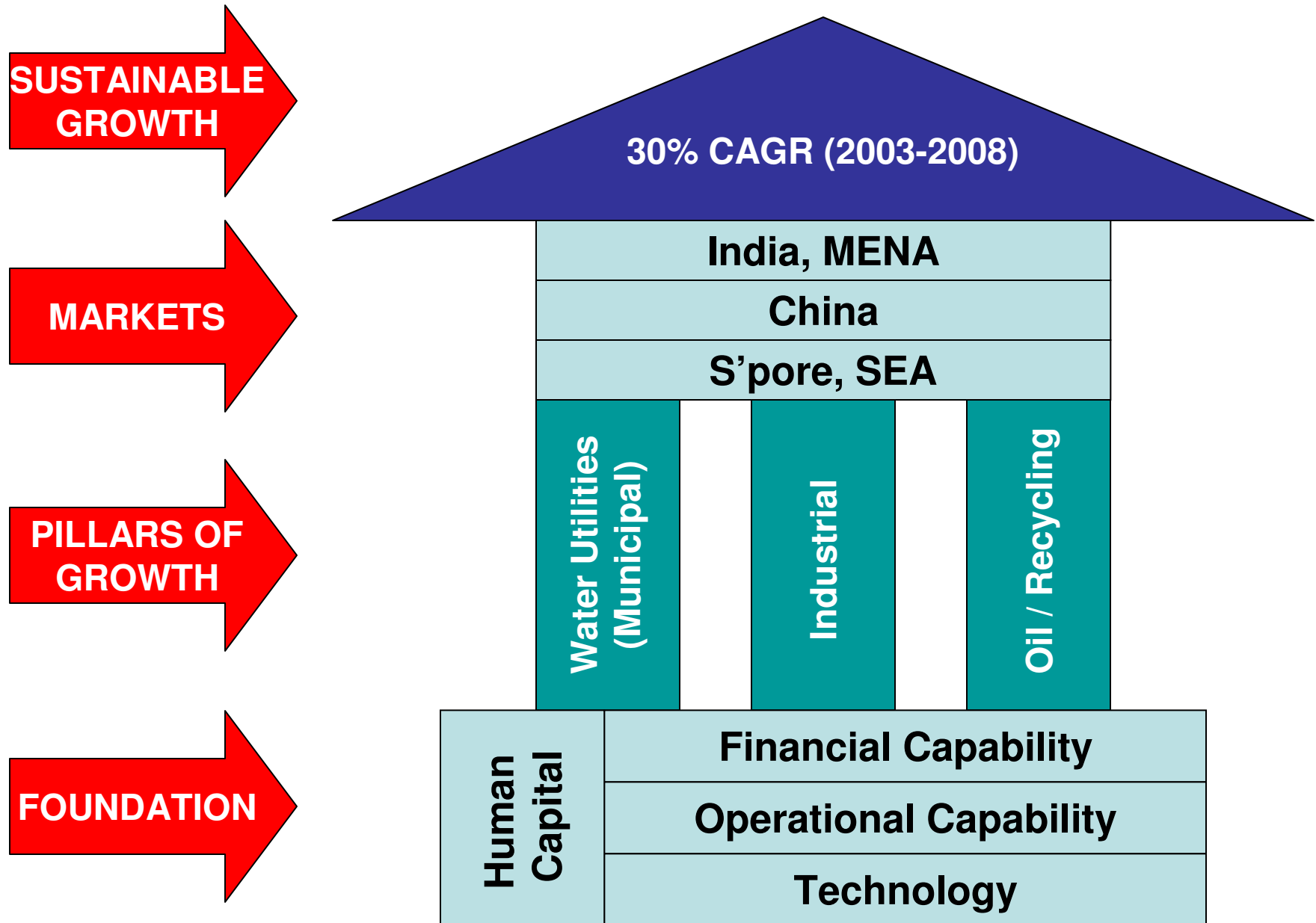
- Obtained approval from Karnataka Udyog Mitra to invest in a 15,000m³/day high grade industrial plant at Hebbal, Bangalore
- Project cost estimated to be S\$17.1M
- Estimated completion in 2007
- Contribution to future recurring income stream

Opportunities in Key Growth Markets



- Physical Water Scarcity
- Economic Water Scarcity
- Little or No Water Scarcity

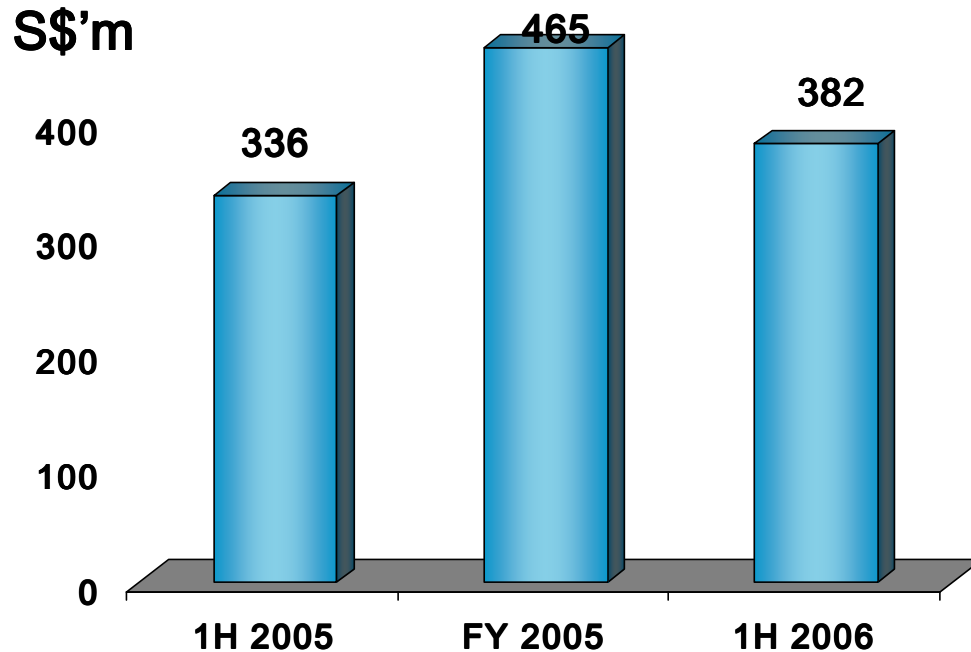
Building Foundation for Global Growth



Outlook



Growth in Order Book



Order Book of S\$382m includes :

- Municipal = S\$243 mil
(Outstanding project cost : S\$270 mil)
- Industrial = S\$139 mil
- Recurring income = S\$23 mil – S\$34 mil

Growth in order book mainly contributed by :

- Industrial sector in China with strong demand in the pharmaceutical and bio-technology sectors
- Our pioneer project in India

Outlook

**On track to deliver CAGR growth
of 30% over 5 year period from
2003 - 2008**

Thank You



Q&A Session



EPS Growth

Scts

