30 March 2017

Amiad Water Systems Ltd.
("Amiad" or the "Company")

Full Year Results

Amiad (AIM: AFS), a leading global producer of water treatment and filtration solutions, announces its full year results for the year ended 31 December 2016.

Financial Summary

- Revenue was $105.6m (2015: $118.8m)
- Gross margin was 39.3% (2015: 40.5%)
- Operating profit was $3.7m (2015: $8.8m)
- Profit before tax was $3.1m (2015: $6.7m)
- Fully diluted earnings per share of $0.095 (2015: $0.166)
- Dividend for 2016 of $0.032 per share (2015: $0.067 per share)
- Net debt at 31 December 2016 of $8.8m (30 June 2016: $10.4m)
- Cash and cash equivalents at 31 December 2016 of $16.1m (30 June 2016: $16.2m)

Operational Summary

- Improved operational efficiency of manufacturing process and supply chain
- Revenues in the second half of the year were significantly higher than the first half in every segment except Irrigation, resulting in slight growth in total revenues compared with the first half
- Progress made by Amiad Australia where sales increased by 11.0% primarily due to growth in the Irrigation segment based on sales of the new Omega and Sigma filters
- Irrigation segment sales, which accounted for 51.9% of total revenue, were lower overall primarily due to the drought in California, US
- Industrial segment sales decreased to $39.7m (2015: $42.8m), primarily due to weakness in Asia
- Sales in the Oil & Gas segment were significantly lower at $3.9m, compared with a strong 2015 (2015: $11.6m), due to the lack of projects as a result of the low oil price environment over much of 2016
- Municipal segment continued to suffer from lack of investment in major infrastructure projects by local authorities as revenue declined to $7.2m compared with $8.9m in 2015

Dori Ivzori, Chief Executive Officer of Amiad, said: "This year was characterised, as expected, by the lack of multiple multi-million projects, in particular, in the Oil & Gas segment, which benefited from some exceptionally large projects in 2015. Also, the Irrigation segment saw a drop in revenues as projects were postponed in the US as a result of the drought in California. Half way through the year, the Company reacted rapidly to align its cost base to the expected lower revenues and redoubled its sales efforts. The Company benefited from these actions resulting in slight sequential growth in revenues in the second half and maintaining annual profitability.

"The momentum of the second half has continued into 2017 as Amiad entered into the new year with a higher backlog compared with the same time of the prior year supported by increased customer demand. We expect good growth in the Irrigation segment this year, particularly in the US following the recovery from the drought in California, and anticipate an increase in revenue in the Industrial segment, primarily in the US and EMEA. However, if the weakness of the US Dollar against the New Israeli Shekel continues, it has the potential of having a negative impact. Consequently, the management is committed to maintaining tight cost control whilst continuing to invest in targeted sales & marketing. Despite this, we expect to return to sales growth in 2017 and will be presenting our five-year strategic plan in September."

Enquiries

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About Amiad

Amiad Water Systems (AIM: AFS) is a leading global producer of automatic, self-cleaning water treatment and filtration products and systems. Through its engineering skills and ability to innovate, Amiad provides cost-effective "green" solutions for the industrial, municipal, irrigation, oil & gas and ballast water markets. In these segments its patented products are being integrated into the core of systems for filtration and water treatment, micro irrigation and membrane protection, wastewater and potable water treatment, cooling systems and sea water filtration.

Headquartered in Israel, Amiad provides these solutions through nine subsidiaries and a comprehensive network of over 170 distributors to customers in more than 80 countries.

For additional information or product details, please visit www.amiad.com.

Operational Review

In 2016, the Company continued to make strong progress in adjusting its cost structure and maintaining control over its expenses. As a result, it succeeded in remaining profitable and slightly reducing net debt despite the lower revenues. The performance of the business in 2016 was as expected with weakness experienced across Amiad's segments and geographies, except Australia that achieved 11.0% growth. The revenues were also lower compared with the previous year due to a lack of substantial projects delivered during 2016, although some large projects won during the year were delayed to 2017. In addition, the revenues achieved in the second half of the year were significantly higher than the first six months in every segment except Irrigation, which resulted in total revenues being slightly higher in H2 than in H1.

During the year the Company also continued to seek ways of improving its manufacturing processes. Operational efficiency was increased due to the Company's previous investment in the polymeric production process, which resulted in a reduction in the cost of materials. The Company also invested in its supply chain, developing an in-house metal fabrication capability, which is expected to be fully operational by mid-2017, to further improve efficiency and quality, which is expected to further reduce material costs in future years.

Segment Performance

The Irrigation and Industrial segments generated $54.8m and $39.7m respectively during the year (2015: $55.3m and $42.8m), accounting for 51.9% and 37.6% of the Company's revenue (2015: 46.6% and 36.0%). The Irrigation segment declined primarily due to the impact of the drought in California impeding investment in new orchards, especially in the almond industry. The Industrial segment revenues were reduced because of weakness in Asia.

The Municipal segment sales were $7.2m (accounting for 6.8% of 2016 total revenue), compared with $8.9m in 2015, due to a lack of investment by municipal entities in large infrastructure projects. Revenue in the Oil & Gas segment was $3.9m, or 3.7% of total sales, compared with $11.6m (9.7% of total revenue) in 2015 with the decline due to a reduction in projects as a result of the continuing low oil price environment, compared with a strong year in 2015 based on projects awarded in 2014 and delivered in 2015.

Global Activity

US & Latin America

In the US, revenues amounted to $23.6m compared with $26.0m in 2015 due to a decline in the Irrigation segment – primarily as a result of the drought in California impeding investment – and the Municipal and Oil & Gas segments. However, this was partly offset by an increase in revenues in the Industrial segment.

EMEA

Revenues in EMEA were significantly lower in aggregate over 2015, primarily due to weakness in Turkey – especially in the Oil & Gas segment where it had delivered exceptional projects in 2015 compared with no recorded revenues in this segment in this geography in 2016.

Specifically in Europe, the reported revenue was slightly below 2015, but would be higher on a constant currency basis, partly due to the first full twelve-month contribution in the Industrial and Municipal segments from a newly set up UK subsidiary. Revenues in Europe in the second half of 2016 were 30% higher than in the first half of the year.

Sales in the Irrigation segment in Europe increased as the sales office established in the region continued to build on success of the prior year, and the Municipal segment also experienced growth, but this was offset by weakness in the Industrial and Oil & Gas segments.

Asia

Sales in Asia, on aggregate, decreased compared with 2015. In India and China there were decreased sales across all segments, except a slight growth in Oil & Gas in China. However, despite reduced revenues, there were improved margins in non-irrigation business. In China, the Industrial segment continued to suffer due to the decline in the steel mill industry. However, revenues in China in the second half of 2016 were 80% higher than in the first half of the year due to the delivery of Industrial segment projects.

Australia

In Australia, revenues were 11% higher at $11.1m compared with $10.0m in 2015. The Irrigation segment performed well based on sales of the new Omega and Sigma filters. The Industrial and Municipal segments also saw a slight increase in revenues, but there was a sharp drop in Oil & Gas revenues as expected.

The above analysis shows the Company's sales by business unit.

Financial Review

Revenue for the year ended 31 December 2016 was $105.6m compared with $118.8m for 2015. As stated above, the reduction was due to weakness across the Company's segments and geographies (except Australia) – in particular, due a reduction in the number of substantial projects delivered in 2016, with some being delayed to 2017. However, as anticipated, revenue in the second half of the year was slightly higher than the first six months of 2016.

Gross margin was 39.3% (2015: 40.5%). The Company maintained tight cost control with lower selling & marketing and administrative & general expenses, however this was not sufficient to fully offset the decline in revenues and as a result operating margins declined. Spending on R&D increased as Amiad invested in sustaining its product innovation to support future sales.

Operating profit was $3.7m (2015: $8.8m) and profit before tax was $3.1m compared with $6.7m for the prior year. Fully diluted earnings per share were $0.095 compared with $0.166 in 2015. Across the currencies with which the Company operates, there was no material impact from foreign exchange movements in 2016. The Company has hedging arrangements in place for the first six months of 2017 that are secured at 2016 average FX rates.

As at 31 December 2016, cash and cash equivalents were $16.1m (30 June 2016: $16.2m). Net debt at year-end 2016 was $8.8m (30 June 2016: $10.4m), which was reduced more than expected as a result of tight management of the working capital and expense level.

Dividend

In line with the Company's dividend policy, the Directors have decided to declare a dividend, representing a total pay-out of approximately 30% of the Company's profits for the twelve months ended 31 December 2016, of $0.032 gross per share (dividend 2015: $0.067 gross per share), with an ex-dividend date of 6 April 2017, a record date of 7 April 2017 and a payment date of 4 May 2017.

Outlook

The momentum of the second half continued into 2017 as Amiad entered into the new year with a higher backlog compared with the same time of the prior year supported by increased customer demand. The Company expects good growth in the Irrigation segment this year, particularly in the US following the recovery from the drought in California, and anticipates an increase in revenue in the Industrial segment, primarily in the US and EMEA. However, if the weakness of the US Dollar against the New Israeli Shekel continues, it has the potential of having a negative impact. Consequently, the management team is committed to maintaining tight cost control whilst continuing to invest in targeted sales & marketing. Despite this, the Company expects to return to sales growth in 2017 and it will be presenting its five-year strategic plan in September.

AMIAD WATER SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December	
	2016	2015
	$ in thousands	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	16,091	17,018
Financial assets at fair value through profit or loss- derivatives	85	148
Trade and other receivables:		
Trade	33,939	36,014
Other	4,331	4,488
Inventories	24,938	24,719
Current income tax assets	417	430
Total Current Assets	79,801	82,817
NON-CURRENT ASSETS:		
Investment in joint venture	10	10
Severance pay fund, net	361	95
Long-term receivables	59	43
Property, plant and equipment	10,783	10,731
Intangible assets	14,532	15,690
Deferred income tax assets	2,222	1,778
Total Non-Current Assets	27,967	28,347
Total Assets	107,768	111,164

Date of approval of the financial statements by the board of directors: March 29, 2017.

AMIAD WATER SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December 2016	31 December 2015
	$ in thousands	
Liabilities and Equity		
CURRENT LIABILITIES:		
Bank credit and current maturities of borrowings from bank	11,253	14,188
Financial liabilities at fair value through profit or loss- derivatives	66	214
Trade and other payable:		
Trade	13,854	15,461
Other	10,278	9,946
Liability to the CEO of a subsidiary	-,-	1,367
Current income tax liability	816	321
Total Current Liabilities	36,267	41,497
NON CURRENT LIABILITIES:		
Borrowings from banks (net of current maturities)	13,596	11,673
Liability to the CEO of a subsidiary		1,508
Accrued severance pay ,net	369	321
Deferred income tax liabilities	6	329
Total Non-Current Liabilities	13,971	13,831
Total Liabilities	50,238	55,328
EQUITY:		
Capital and reserves attributable to equity holders of the Company:		
Share capital	2,798	2,798
Capital reserves	28,520	28,437
Transaction with non-controlling interests	(259)	(180)
Currency translation reserve	(6,288)	(4,145)
Retained earnings	29,857	28,773
	54,628	55,683
Non-controlling interests	2,902	153
Total Equity	57,530	55,836
Total Liabilities and Equity	107,768	111,164

AMIAD WATER SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	$ in thousands except per share data	
Revenue	105,590	118,779
Cost of revenue	64,077	70,630
Gross Profit	41,513	48,149
Research and development, net	3,402	2,932
Selling and marketing costs	24,423	25,460
Administrative and general expenses	9,953	11,049
Other gains (losses)	34	114
Operating Profit	3,701	8,822
Finance income	1,009	790
Finance costs	(1,622)	(2,960)
Finance costs, net	(613)	(2,170)
Profit before income taxes	3,088	6,652
Income tax expenses	677	1,581
Profit for the year	2,411	5,071
Other comprehensive loss (income):Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations, net	(260)	92
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	2,147	1,963
Other comprehensive loss for the year	1,887	2,055
Total comprehensive income for the year	524	3,016
Profit attributable to:		
Equity holders of the Company	2,342	4,921
Non-controlling interests	69	150
	2,411	5,071
Total comprehensive income attributable to:		
Equity holders of the Company	228	2,872
Non-controlling interests	65	144
	459	3,016
	$	
Earnings per share attributable to the equity holders of the Company during the year:		
Basic	0.103	0.217
Diluted	0.095	0.166

AMIAD WATER SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares	Share capital	Capital reserve	Currency translation reserve	Transaction with non-controlling interest	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the Company							
		$ in thousands							
BALANCE AT 1 JANUARY 2015	22,663,651	2,798	28,371	(2,138)	(180)	23,944	52,745	9	52,754
Comprehensive income (loss):									
Profit (loss) for the year						4,921	4,921	150	5,071
Currency translation differences				(1,957)			(1,957)	(6)	(1,963)
Remeasurement of net defined benefit liability						(92)	(92)		(92)
Total comprehensive income (loss)				(1,957)		4,829	2,872	144	3,016
Transaction with owners:									
Recognition of compensation related to employee stock and options grants			66				66		66
Total transaction with owners			66				66		66
BALANCE AT 31 DECEMBER 2015	22,663,651	2,798	28,437	(4,145)	(180)	28,773	55,683	153	55,836
Comprehensive income (loss):									
Profit for the year						2,342	2,342	69	2,411
Currency translation differences				(2,143)			(2,143)	(4)	(2,147)
Remeasurement of net defined benefit liability						260	260		260
Total comprehensive income (loss)				(2,143)		2,602	459	65	524
Transaction with owners:									
Transaction with the minority					(79)		(79)	2,684	2,605
Recognition of compensation related to employee stock and options grants			83				83		83
Dividend ($0.067 per share)						(1,518)	(1,518)		(1,518)
Total transaction with owners			83		(79)	(1,518)	(1,514)	2,684	1,170
BALANCE AT 31 DECEMBER 2016	22,663,651	2,798	28,520	(6,288)	(259)	29,857	54,628	2,902	57,530

AMIAD WATER SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2016	2015
	$ in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations	6,166	16,425
Interest paid	(764)	(781)
Interest received	124	130
Income taxes paid, net	(635)	(312)
Net cash generated from operating activities	4,891	15,462
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(2,564)	(2,084)
Purchase of intangible assets	(225)	(334)
Investment grants received	127	131
Proceeds from sale of property, plant and equipment	38	131
Restricted deposit	465	25
Net cash used in investing activities	(2,159)	(2,131)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid to equity holders of the Company	(1,518)	-,-
Receipt of long-term borrowings	9,014	10,000
Payments of long term borrowings	(11,394)	(8,522)
Increase (decrease) in bank credit and short term borrowing, net	1,370	(10,958)
Net cash used in financing activities	(2,528)	(9,480)
EXCHANGE RATE LOSS ON CASH AND CASH EQUIVALENTS	(1,131)	(923)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(927)	2,928
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,018	14,090
CASH AND CASH EQUIVALENTS AT END OF YEAR	16,091	17,018

AMIAD WATER SYSTEMS LTD.
CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December	
	2016	**2015**
	$ in thousands	
Profit (loss) for the year	2,411	5,071
(a) Adjustments to reconcile net income to net cash generated from used in operating activities:		
Depreciation and amortization	3,431	3,446
Interest paid	764	781
Interest received	(124)	(130)
Income taxes paid, net	635	312
Share based payment, net	83	66
Distribution of profits to a CEO of a subsidiary	(371)	(102)
Changes in liability to the CEO of a subsidiary	151	50
Decrease (increase) in deferred income taxes, net	(814)	442
Accrued severance pay, net	65	(155)
Exchange rate differences on borrowings	91	347
Increase in assets at fair value through profit or loss	(85)	(548)
Loss (profit) from sale of property, plant and equipment	19	(111)
	3,845	4,398
Changes in working capital:		
Decrease (increase) in accounts receivable:		
Trade	878	6,383
Other	(491)	(1,101)
Increase in long term receivable	(18)	(5)
Increase (decrease) in accounts payable:		
Trade	(980)	1,617
Other	1,127	1,670
Increase in inventories	(606)	(1,608)
	(90)	6,956
Cash generated from operations	6,166	16,425
(b) Supplementary information on investing activity not involving cash flows-		
Transaction with the non-controlling interests	2,605	-,-