

10 April 2013

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



## **Results for the twelve months to 31 December 2012**

Amiad, a leading global producer of water treatment and filtration solutions, announces its full year results for the twelve months ended 31 December 2012.

### **Financial Summary**

- Revenue increased by 11.8% to \$131.1m (2011: \$117.3m)
- Operating profit was \$10.6m (2011: \$8.9m)
- Profit before tax was \$10.1m (2011: \$8.3m)
- Gross margins at 43% (2011: 44%)
- Fully diluted earnings per share was \$0.340 (2011: \$0.312)
- Final dividend for 2012 of \$0.06 per share (2011: \$0.055), making a total dividend for the year of \$0.111 (total dividend for 2011: \$0.104)
- Cash and cash equivalents at 31 December 2012 were \$14.5m (30 June 2012: \$12.7m; 31 December 2011: \$11.8m)

### **Operational Summary**

#### *Traditional Segments (Irrigation, Industrial and Municipal)*

- Strong growth achieved in the Municipal segment, primarily due to the delivery of a significant contract in Australia for seawater reverse osmosis membrane protection
- Irrigation segment revenues increased in most geographies except Europe, with particular strength in the US, to achieve overall growth for the year
- Revenues in the Industrial segment were broadly similar with the prior year due to weakness in the US, Europe and China

#### *New Developing Segments (Ballast Water and Oil & Gas)*

- Significant increase in the contribution to revenues from Amiad's new segments of Ballast Water and Oil & Gas
- Sales particularly strong in the Ballast Water segment in the US
- Signed a long-term supply agreement with Calgon Carbon Corporation (NYSE: CCC) ("Calgon") for incorporation of Arkal technology in Calgon's Hyde GUARDIAN® Ballast Water Treatment Systems
- Secured significant contract in the Oil & Gas segment for pre-filtration membrane protection in Australia

Commenting on the results, Arik Dayan, Chief Executive Officer of Amiad, said: "We are pleased to report our third consecutive year of growth, despite experiencing weakness in certain key markets in the final quarter of the year. This growth was as a result of increasing contributions from our new Ballast Water and Oil & Gas segments and better-than-expected turnover in Australia, which more than offset the slowdown in our traditional territories of the US and Europe where we suffered from the continuing economic difficulties, primarily in the Municipal and Industrial segments.

“Looking ahead, the headwinds experienced in the US and Europe are expected to continue in the first half of the year as large water infrastructure projects suffer delays in investment. However, we anticipate that the Company will achieve a slight increase in revenues for full year 2013 and implement a number of efficiency measures over the course of the year. We believe that Amiad has the right solutions, is in the right markets and has the right sales and marketing channels to continue to grow and deliver value to shareholders in 2013 and beyond.”

## Enquiries

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## About Amiad

Amiad Water Systems (AIM: AFS) (formerly Amiad Filtration Systems Limited) 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](http://www.amiad.com)

## **Operational Review**

The revenue momentum from 2011 continued in 2012 with Amiad achieving growth of 11.8% to \$131.1m (2011: \$117.3m). This was a result of significant revenue growth in the Municipal segment as well as the new segments of Ballast Water and Oil & Gas, whilst revenues in the traditional segments of Irrigation and Industrial remained flat. Gross margins were broadly similar at 43% compared with 44% for 2011.

Revenues in the second half of 2012 were \$64.7m compared with \$58.3m in the second half of 2011, with the increase primarily due to growth in the Municipal segment. For the full year 2012, the Municipal segment grew by 80%, with the segment constituting 13.6% of the Company's revenues for the period (2011: 8.3%). The Irrigation and Industrial segments contributed \$50.9m and \$52.3m respectively in 2012, which is broadly similar to 2011.

The two new developing segments of Ballast Water and Oil & Gas accounted for approximately 4.4% and 3.3% of 2012 revenues respectively, compared with 3.1% and 2% in the prior year. Revenue in the Ballast Water segment was slightly less than expected at \$5.8m (2011: \$3.6m) due to a postponement in the implementation of coastguard regulations by the International Maritime Organization ("IMO"), which will now come into force in 2014. However, the Ballast Water segment remains a significant growth market and the Company is well-positioned to benefit from this development due to the strength of its product portfolio and channels to market, particularly through its relationship with Calgon. Additionally, the Company intends to form partnerships with other integrators in this segment.

Progress was made with Amiad's new products that were launched in November 2011. The Arkal AR-3 (Super Flow 70) contributed to 2012 revenues in the Ballast Water segment in the US and the Arkal AR-1 (Super Galaxy), which is in the commissioning phase for the Ashdod Desalination Plant in Israel, also began generating revenue. Post period-end, the Company received orders for the Amiad AM-2 (Omega) in India and Europe for cooling process water filtration in the Industrial segment as well as membrane protection in Europe. The remaining products are in the piloting phase and are being well-received.

At the Company's Beit Zera site in Israel, construction was completed on a new factory for injection moulding to produce combined Amiad-Arkal polymer-based products. Amiad has identified a significant growth potential for polymer-based products, particularly for the Ballast Water industry, and the new factory represents part of the Company's strategy for targeting this area.

## ***Global Activity***

### *Asia*

The Company experienced a significant decline in revenues in China compared with the prior year. This decrease was due to weakness in the steel mill market, which has traditionally constituted a substantial proportion of revenues for that territory. However, there was an increase in sales in the Municipal, Oil & Gas and Irrigation segments. During the second half of the year, there was a growth in the funding of large irrigation projects, which has continued into the current year. The Company expects revenues in the Irrigation segment to increase further in 2013, which is partly due to trade agreements signed between the Chinese and Israeli governments.

Revenues in South East Asia were broadly in line with 2011. Amiad delivered projects in the Oil & Gas segment and for Hyundai in the Municipal segment. In addition, the Company is currently conducting a pilot test with the Amiad AM-2 (Omega) and Arkal Galaxy disc filtration technology for a potential customer in the Ballast Water segment in Singapore.

Amiad performed well in India, with revenues for 2012 over 200% greater than in 2011, albeit from a small revenue contribution. This growth is primarily from the Industrial segment, with projects in the power generation sector and with steel factories – although, in part, the extent of the growth is reflective of severe weakness in 2011. The Company also experienced growth in the Irrigation segment and, post period end,

completed the successful commissioning of a pre-filtration solution, based on its Arkal Galaxy Disc filtration technology, at a newly-built municipal seawater desalination plant in Chennai, India. The production line at Amiad's subsidiary in India is now functioning at almost full capacity. In addition, Amiad delivered its first project in India in the Irrigation segment that utilises the Company's automatic self-cleaning technology, which reflects the increasing maturity of the market in India.

#### *US and Latin America*

In the US, Amiad achieved its second consecutive year of significant growth, which was primarily due to strength in the Ballast Water and Irrigation segments, and despite experiencing a marked slowdown in the Municipal and Industrial segments. During the first half of the year, the Company signed a long-term supply agreement with Calgon Carbon Corporation to provide its Arkal automatic self-cleaning disc filtration technology for incorporation within Calgon's Hyde GUARDIAN Ballast Water Treatment Systems. Momentum continued in the Irrigation segment in the US, with a growth rate of 18%, driven primarily by an increase in farming and food consumption, particularly on the West Coast. However, there was a decline in the Industrial and Municipal segments due to economic weakness, public debt and a slowdown in activity in the public sector ahead of the political elections.

During the year, the Company established a wholly-owned subsidiary in Mexico, Amiad Mexico SA de CV ("Amiad Mexico"), to increase its presence in the growth markets of Latin America. The demand for Amiad's solutions in Mexico is primarily from the Municipal, Oil & Gas and Industrial segments. Amiad Mexico is currently delivering a project in the pharmaceutical industry, which represents a new sector for the Company. Following the establishment in the second half of 2011 of Amiad Sistemas De Agua Ltda ("Amiad Brazil"), the subsidiary won a number of projects in the Oil & Gas industry for cooling process water filtration.

#### *EMEA*

The Company experienced a significant decrease in revenues in Europe as a result of a decline in investment in infrastructure projects due to economic weakness. This decline applied to all of Amiad's traditional segments. In the Oil & Gas segment, Amiad delivered a significant project in France where it provided a salt leaching brine filtration system at an underground liquid hydrocarbon storage facility. Similarly, Amiad installed two new projects with existing customers in Eastern and Western Russia respectively: the former is to provide pre-filtration for reverse osmosis membrane protection for process water and the latter is for iron ore removal from well water at a municipal treatment plant to produce potable water. In addition, Amiad is currently conducting a pilot test with the Amiad AM-2 (Omega) in the Ballast Water segment in Europe.

In Israel, Amiad signed a contract, valued at \$1.67m, to provide an Arkal AR-1 (Super Galaxy) automatic disc filtration system (SpinKlin R) for the protection of ultra-filtration membranes at the Ashdod Desalination Plant, which is being operated by the Mekorot Group, Israel's national water company. Amiad began to supply the units during the year and installation occurred in March 2013, with the plant now being in the pre-commissioning phase.

Amiad achieved its second consecutive year of growth in Turkey, primarily due to projects in the Municipal segment, and experienced an increase in interest in Africa due to expanding demand for infrastructure projects and irrigation. The Company expects these trends to continue in 2013 and beyond.

#### *Australia*

Amiad achieved its greatest annual turnover in Australia to date, which was primarily due to two significant contracts, valued at approximately \$8m and \$1.6m respectively, for reverse osmosis and pre-filtration membrane protection for projects in the desalination and oil & gas industries. The larger of the projects involved the supply and commissioning of the Company's Amiad automatic self-cleaning screen filter technology for seawater reverse osmosis membrane protection at the Southern SeaWater Desalination Plant, which is located in Binningup, south of Perth. The other contract was with Origin Energy, one of Australia's

leading integrated energy companies, for the supply and commissioning of the Company's Arkal automatic self-cleaning disc technology (Spin Klin Galaxy) for Origin's Australia Pacific LNG project for the processing of coal seam gas to liquefied natural gas. Amiad's solution performs pre-filtration to ensure membrane protection during the process.

## **Financial Review**

Revenues for the twelve months ended 31 December 2012 increased by 11.8% to \$131.1m compared with \$117.3m for the full year 2011.

Fully diluted earnings per share was \$0.340 (2011: \$0.312).

Operating profit was \$10.6m compared with \$8.9m in 2011 and profit before tax was \$10.1m (2011: \$8.3m).

Gross margins were broadly similar at 43% compared with 44% in 2011. This slight decline was primarily due to additional provisions for slow inventory of approximately \$0.8m.

As of 31 December 2012, cash and cash equivalents in the bank were \$14.5m compared with \$12.7m at 30 June 2012 and \$11.8m at 31 December 2011. Net debt at year end was \$17.1m, a reduction of \$4.6m from \$21.7m at 31 December 2011. The decrease in net debt was primarily due to strong cash flow from operations, offset by cash used in investing activities and dividend payments.

## **Dividend**

The Directors have decided to declare a final dividend out of the Company's profits for the twelve months ended 31 December 2012 of \$0.06 gross per share (final dividend 2011: \$0.055 gross per share), with an ex dividend date of 12 June 2013, a record date of 14 June 2013 and a payment date of 8 July 2013. This makes a total dividend for the year of \$0.111 per share (total dividend for 2011: \$0.104 gross per share).

## **Outlook**

The Board of Amiad remains confident that the Company's growth prospects are significant. The Company expects 2013 to be a transitional year as its new products gain traction, markets recover in its established segments and it continues to benefit from the increasing demand for solutions in the new segments of Ballast Water and Oil & Gas, as well as in its identified growth markets.

Amiad entered 2013 with a slightly higher backlog than at the same period in the prior year. However, the slowdown observed in the final quarter of 2012 in Europe and the US, particularly in the Municipal and Industrial segments, has continued into the first half of the year. The Company expects this weakness to be offset slightly by activity in its growth territories in the second half of the year. In addition, the Irrigation segment is expected to continue to grow through the year as expected, and Amiad still expects good growth in the Ballast Water segment. However, as a result of the postponement in the implementation of the IMO regulations, some of the revenues that the Company had anticipated in the first half of 2013 have been delayed to the second half of 2013 and 2014.

Despite the headwinds, the Company still expects a slight growth in revenues for full year 2013, with the second half being stronger than the first half of 2013. In addition, the Company expects to be able to increase efficiency measures and implement cost reductions over the course of 2013.

**AMIAD WATER SYSTEMS LTD.**

(Formerly - Amiad Filtration Systems Ltd.)

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ in thousands</b>	
<b>Assets</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	14,450	11,848
Financial assets at fair value through profit or loss	1,140	442
Trade and other receivables:		
Trade	40,779	40,913
Other	5,367	4,277
Inventories	26,033	29,643
Current income tax assets	701	2,007
<b>Total Current Assets</b>	<b>88,470</b>	<b>89,130</b>
<b>NON-CURRENT ASSETS:</b>		
Investment in associates	10	10
Loans to a related party	535	558
Severance pay fund, net		112
Long-term receivables	72	397
Prepaid expenses	49	228
Property, plant and equipment	11,621	9,014
Intangible assets	19,351	19,287
Deferred income tax assets	2,035	1,503
<b>Total Non Current Assets</b>	<b>33,673</b>	<b>31,109</b>
<b>Total Assets</b>	<b>122,143</b>	<b>120,239</b>

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ in thousands</b>	
<b>Liabilities and Equity</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term credit and current maturities of borrowings from bank	13,421	16,686
Financial liabilities at fair value through profit or loss- derivatives	112	816
Trade and other payable:		
Trade	19,820	24,387
Other	10,518	8,797
Current income tax liability	962	404
<b>Total Current Liabilities</b>	<b>44,833</b>	<b>51,090</b>
<b>NON CURRENT LIABILITIES:</b>		
Borrowings from banks (net of current maturities)	18,158	16,829
Put option liability	3,664	2,553
Accrued severance pay ,net	115	
Deferred income tax liabilities	1	7
<b>Total Non Current Liabilities</b>	<b>21,938</b>	<b>19,389</b>
<b>Total Liabilities</b>	<b>66,771</b>	<b>70,479</b>
<b>EQUITY:</b>		
<b>Capital and reserves attributable to equity holders of the Company:</b>		
Share capital	2,798	2,789
Capital reserves	28,029	24,692
Transaction with non-controlling interests	(180)	(180)
Currency translation reserve	(147)	(20)
Retained earnings	24,826	22,383
	55,326	49,664
<b>Non-controlling interests</b>	<b>46</b>	<b>96</b>
<b>Total Equity</b>	<b>55,372</b>	<b>49,760</b>
<b>Total Liabilities and Equity</b>	<b>122,143</b>	<b>120,239</b>

**AMIAD WATER SYSTEMS LTD.**

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<u>Year ended 31 December</u>	
	<u>2012</u>	<u>2011</u>
	<u>\$ in thousands</u> <u>except per share data</u>	
Revenue	131,091	117,276
Cost of sales	<u>74,877</u>	<u>66,097</u>
Gross Profit	56,214	51,179
Research and development	2,898	1,838
Selling and marketing costs	29,446	28,157
Administrative and general expenses	13,239	12,293
Other gains	<u>60</u>	<u>(48)</u>
<b>Operating Profit</b>	<u>10,571</u>	<u>8,939</u>
Finance income	1,365	1,526
Finance costs	<u>(1,830)</u>	<u>(2,132)</u>
<b>Finance costs, net</b>	<u>(465)</u>	<u>(606)</u>
Profit before income taxes	10,106	8,333
Income tax expenses	<u>2,079</u>	<u>1,293</u>
<b>Profit for the year</b>	<u>8,027</u>	<u>7,040</u>
<b>Other comprehensive income:</b>		
Currency translation differences	<u>(128)</u>	<u>(759)</u>
<b>Total comprehensive income for the year</b>	<u>7,899</u>	<u>6,281</u>
<b>Profit attributable to:</b>		
Equity holders of the Company	8,076	7,057
Non controlling interests	<u>(49)</u>	<u>(17)</u>
	<u>8,027</u>	<u>7,040</u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	7,949	6,320
Non controlling interests	<u>(50)</u>	<u>(39)</u>
	<u>7,899</u>	<u>6,281</u>
	<u>\$</u>	
<b>Earnings per share attributable to the equity holders of the Company during the year</b>		
Basic	<u>0.355</u>	<u>0.312</u>
Diluted	<u>0.340</u>	<u>0.312</u>

**AMIAD WATER SYSTEMS LTD.**  
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Non controlli ng interest	Total Equity	
	Number	Share	Capital	Currency	Transactio n with non- controlling interest	Retained			Total
	of shares	capital	reserve	translation reserve	earnings	earnings			earnings
	<b>\$ in thousands</b>								
<b>BALANCE AT 1 JANUARY 2011</b>	22,521,690	2,780	24,467	708		17,743	45,698	290	45,988
<b>Comprehensive income:</b>									
Profit for the year						7,057	7,057	(17)	7,040
Other comprehensive income									
Currency translation differences				(737)			(737)	(22)	(759)
<b>Total comprehensive income</b>				(737)		7,057	6,320	(39)	6,281
<b>Transaction with owners:</b>									
Acquisition of non controlling interest	69,000	9	225	9	(180)		63	(155)	(92)
Dividend (\$0.107 per share)						(2,417)	(2,417)		(2,417)
<b>Total transaction with owners</b>	69,000	9	225	9	(180)	(2,417)	(2,354)	(155)	(2,509)
<b>BALANCE AT 31 DECEMBER 2011</b>	22,590,690	2,789	24,692	(20)	(180)	22,383	49,664	96	49,760
<b>Comprehensive income:</b>									
Profit for the year						8,076	8,076	(49)	8,027
Other comprehensive income				(127)			(127)	(1)	(128)
<b>Total comprehensive income</b>				(127)		8,076	7,949	(50)	7,899
<b>Transaction with owners:</b>									
Issuance of shares to a senior employee	72,961	9	102				111		111
Allocation of share capital			3,235			(3,235)			
Dividend (\$0.106 per share)						(2,398)	(2,398)		(2,398)
<b>Total transaction with owners</b>	72,961	9	3,337			(5,633)	(2,287)		(2,287)
<b>BALANCE AT 31 DECEMBER 2012</b>	22,663,651	2,798	28,029	(147)	(180)	24,826	55,326	46	55,372

**AMIAD WATER SYSTEMS LTD.**

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$ in thousands</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash generated from operations	15,326	6,421
Interest paid	(1,054)	(903)
Interest received	325	289
Income taxes paid	(677)	(3,942)
Net cash generated from operating activities	13,920	1,865
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(5,062)	(3,980)
Purchase of intangible assets and capitalized development expenses	(1,386)	(2,412)
Investment grants received	499	218
Sale of financial assets at fair value through profit or loss, net		1,933
Proceeds from sale of property, plant and equipment	122	122
Restricted deposit	(1,254)	259
Collection (granting) of long-term loan granted to a related party and other	127	84
Net cash used in investing activities	(6,954)	(3,776)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Acquisition of non controlling interest - Amiad France		(92)
Dividends paid to equity holders of the Company	(2,398)	(2,417)
Proceeds from exercise of option	111	
Receipt of long-term borrowings	9,811	10,990
Repayments of long term borrowings	(6,930)	(4,995)
Repayments of short-term borrowings from banks	(5,080)	(868)
Net cash generated used to financing activities	(4,486)	2,618
<b>EXCHANGE RATE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS</b>	122	(152)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,602	555
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	11,848	11,293
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	14,450	11,848