

10 September 2013

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



### **Results for the six months to 30 June 2013**

Amiad (AIM: AFS), a leading global producer of water treatment and filtration solutions, announces its half year results for the six months ended 30 June 2013.

#### **H1 2013 Financial Summary**

- Revenue was \$61.7m (H1 2012: \$66.2m)
- Operating profit was \$4.2m (H1 2012: \$5.9m)
- Profit before tax was \$4.2m (H1 2012: \$5.0m)
- Gross margins were 40.3% (H1 2012: 43.6%)
- Fully diluted earnings per share were \$0.15 (H1 2012: \$0.18)
- Net debt reduced to \$16.85m (31 December 2012: \$17.1m)
- Interim dividend of \$0.051 per share (H1 2012: \$0.051)
- Cash and cash equivalents at 30 June 2013 were \$13.3m (31 December 2012: \$14.3m; 30 June 2012: \$12.7m)

#### **H1 2013 Operational Summary**

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

- Irrigation segment broadly flat with H1 2012, but progress achieved with increase in revenues of 17% over H2 2012 due to growth in US, Latin America and China
- Municipal segment performed as expected, with growth in Europe and Eastern Europe, and successful implementation of large-scale municipal desalination plants in Australia, Israel and India
- Weakness experienced in Industrial segment, particularly in South East Asia, India and East Europe, but growth achieved in West Europe

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

- Significant growth achieved in Oil & Gas segment, including delivery of a pre-filtration solution at Pacific Rubiales Energy Corp's desalination plant in Columbia
- Postponement in implementation of coastguard regulations by International Maritime Organization ("IMO") continued to negatively impact sales in Ballast Water segment, however, the new Omega line of screen products was well-received by potential customers and Amiad successfully completed pilot projects with the Danish Hydraulic Institute in Denmark and in Singapore

Commenting on the results, Arik Dayan, Chief Executive Officer of Amiad, said: "As anticipated, 2013 is proving to be a transitional year as our traditional and new segments continue to be subject to fluctuating market conditions. We are also pleased with the progress being made by our new products, which are increasingly penetrating the market, and the significant growth achieved in the Oil & Gas segment.

"Despite the challenging market conditions, we anticipate that revenues for the second half of 2013 will be slightly higher than for the first half of the year. In addition, we expect to maintain efficiency measures and tight cost control over the course of 2013 whilst continuing to invest in new products, new territories and growth segments. As a result, we have confidence in the growth prospects of the Company, which is reflected in Amiad maintaining its interim dividend at the same amount as last year."

## Enquiries

|  |                  |
|--|------------------|
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## **Operational Review**

As stated in Amiad's announcement of its Full Year 2012 Results, the slowdown observed in the final quarter of 2012 in Europe and the US, particularly in the Municipal and Industrial segments, continued into the first half of 2013, resulting in an overall decrease in revenue for the period to \$61.7m (H1 2012: \$66.2m). In addition, the Company was impacted in the Ballast Water segment by the postponement in the implementation of IMO regulations as expected. However, revenue in the Irrigation segment was broadly flat with the same period last year and grew 17% sequentially compared with H2 2012 whilst the Oil & Gas segment exceeded expectations and achieved significant growth. Gross margins were 40.3% (H1 2012: 43.6%).

The Irrigation and Industrial segments generated \$27.1m and \$23.1m respectively during the period (H1 2012: \$27.8m and \$24.9m), accounting for 43.7% and 37.3% of the Company's revenues. The Municipal segment generated \$4.9m (8%) compared with \$7.3m in H1 2012, however this decline was partly due to the delivery of an extraordinary project, in the first half of 2012, in the Municipal segment in Australia where Amiad provided its automatic self-cleaning screen filter technology for sea water reverse osmosis membrane protection at the Southern SeaWater Desalination Plant based south of Perth.

There was a significant decline in revenues in the Ballast Water segment to \$1.1m, representing 1.8% of overall revenue, compared with \$3.8m in the first half of 2012. This was largely due to the postponement in the implementation of coastguard regulations by the IMO, which will now come into force in 2014. However, during the period, Amiad successfully completed pilot projects with the Danish Hydraulic Institute in Denmark and in Singapore, and its products are being well-received by potential customers. In addition, Amiad has been engaged in discussions to form partnerships with further integrators (as a complement to Calgon Carbon Corporation) in this segment. As a result, Amiad is well-positioned to benefit from the significant growth opportunity in this segment when market conditions improve, where it is expected that around 60,000 ships worldwide will need refitting with one or more cleansing units by 2020 resulting in a filtration market worth approximately \$1bn.

The Oil & Gas segment exceeded expectations, generating revenues of \$5.7m compared with \$3.0m in H1 2012 and \$1.3m in H2 2012. The segment accounted for 9.2% of overall revenues – representing a larger proportion than the Municipal segment.

Amiad's portfolio of new products that were launched in November 2011 are increasingly penetrating the market and continue to be well-received. All of the products are now in the commercial pilot phase apart from one, which is in a non-commercial pilot project.

### ***Global Activity***

#### *Asia*

During the first half of the year, Amiad experienced weakness in the Industrial segment in South East Asia. However, in the new segments, the Company delivered a project in the Oil & Gas segment and successfully completed a pilot project in the Ballast Water segment.

Amiad also suffered from weak demand in India, which was compounded by the weakness of the rupee against the US dollar and the resulting negative effect on Amiad importing products. However, Amiad continued work on its production line at its subsidiary in India and expects to reach full, local production next year. In addition, Amiad successfully commissioned a pre-filtration solution at a newly-built municipal seawater desalination plant in Chennai, India.

In China, the government's decision to increase the country's agricultural production resulted in increasing demand for Amiad's Irrigation solutions.

## *US and South America*

Amiad performed well and achieved growth in the Irrigation segment in the US. As the most significant market for the Ballast Water segment, the Company suffered from the setbacks in this industry. In addition, the constraints on public funding and projects persisted into 2013 resulting in continued weakness in the Municipal segment.

The Irrigation segment in Latin America experienced growth. In the Oil & Gas segment, as announced in March, the Company was awarded a \$7.7m contract in Colombia, by Nirosoft Industries Ltd., for the supply and maintenance of a pre-filtration solution providing protection for reverse osmosis membranes. Amiad's screen and microfiber filtration technology has been shipped and is in the pre-installation phase at a desalination plant that is part of the oil & gas operations of Pacific Rubiales Energy Corp., one of the largest independent oil & gas exploration and production companies in Colombia.

## *EMEA*

Amiad performed well in the Municipal segment in Europe and Eastern Europe, and undertook significant work in Germany and Scandinavia for pre-filtration membrane protection. In Denmark, the Company successfully concluded a pilot project in the Ballast Water segment with the Omega, one of Amiad's new products. However, the extreme and extended winter across large parts of Europe resulted in weakness in the Irrigation segment with a delay in a number of projects.

In Israel, Amiad installed and commissioned a solution for the protection of ultra-filtration membranes at the Ashdod Desalination Plant in the Municipal segment. This represented the first commercial application of Amiad's new products. Similarly, Amiad successfully commissioned a project in Cyprus involving cartridge replacement.

## *Australia*

Amiad suffered in Australia from the weakness in the Australian economy due to the reduced demand for raw materials from China, Australia's largest export customer, which has resulted in resource companies cancelling or postponing projects. Amiad anticipates some improvement in this geography going forward, but does not expect this to be of a material nature.

## **Financial Review**

Revenues for the six months ended 30 June 2013 decreased by 6.8% to \$61.7m compared with \$66.2m for the first half of 2012. Fully diluted earnings per share were \$0.15 (H1 2012: \$0.18).

Operating profit was \$4.2m compared with \$5.9m for the first half of 2012, and profit before tax was \$4.2m (H1 2012: \$5.0m).

Gross margins were 40.3% (H1 2012: 43.6%; H2 2012: 42%). The decline was due to: the strategic decision to enter the produced water market in the Oil & Gas segment in Colombia; a higher proportion of revenue being derived from the Irrigation segment, which typically carries a lower gross margin; the impact of fixed expenses on lower total revenue; and the weakness of the US dollar against the Israeli shekel.

As of 30 June 2013, cash and cash equivalents were \$13.3m compared with \$14.3m at 31 December 2012 and \$12.7m at 30 June 2012. Net debt decreased to \$16.85m from \$17.1m at 31 December 2012.

## **Dividend**

The Directors have decided to declare an interim dividend out of the Company's profits for the six months ended 30 June 2013 of \$0.051 gross per share (interim dividend 2012: \$0.051 gross per share), with an ex dividend date of 9 October 2013, a record date of 11 October 2013 and a payment date of 30 October 2013.

## **Outlook**

As anticipated, 2013 is proving to be a transitional year as the Company's new products gain traction, and its traditional and new segments continue to be subject to fluctuating market conditions.

Looking ahead, in the second half, the Irrigation segment is expected to perform well and grow in accordance with the management's expectations. Amiad still anticipates good growth in the Ballast Water segment in the long term. However, as a result of the postponement in the implementation of the IMO regulations, a vast majority of the revenues in the Ballast Water segment that the Company had expected to generate in 2013 have been delayed to 2014. The delay in the implementation of the regulations has allowed Amiad to broaden its marketing and sales efforts as well as product offering in this segment. As a result, the Company is well-positioned to benefit when the markets return. The slowdown observed in the first half of 2013 in the US, particularly in the Municipal segment, is expected to continue. The Company anticipates that this weakness will be slightly offset by activity in its growth territories in the second half of the year.

Despite the challenging market conditions, the Company continues to anticipate that revenues for the second half of 2013 will be slightly higher than for the first half of the year. In addition, the Company expects to be able to maintain efficiency measures and tight cost control over the course of 2013.

**AMIAD WATER SYSTEMS LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2013**

|  | <u>June 30</u>     |                | <u>December 31,</u> |
|--|--------------------|----------------|---------------------|
|  | <u>2013</u>        | <u>2012*</u>   | <u>2012*</u>        |
|  | <u>(Unaudited)</u> |                | <u>(Audited)</u>    |
| <u>U.S. dollars in thousands</u>                         |                    |                |                     |
| <b>Assets</b>  |                    |                |                     |
| <b>CURRENT ASSETS:</b>                                   |                    |                |                     |
| Cash and cash equivalents                                | 13,267             | 12,697         | 14,255              |
| Financial assets at fair value through<br>profit or loss | 1,243              | 229            | 1,140               |
| Accounts receivable and accruals:                        |                    |                |                     |
| Trade  | 44,096             | 45,049         | 40,831              |
| Other  | 3,599              | 5,219          | 5,336               |
| Income tax assets  | 1,130              | 1,235          | 701                 |
| Inventories  | 22,556             | 28,021         | 26,017              |
| <b>T o t a l current assets</b>                          | <u>85,891</u>      | <u>92,450</u>  | <u>88,280</u>       |
| <b>NON-CURRENT ASSETS:</b>                               |                    |                |                     |
| Investments in associates                                | 24                 | 80             | 76                  |
| Loan to a related party                                  | 633                | 627            | 635                 |
| Long-term receivables                                    | 104                | 273            | 72                  |
| Prepaid expenses   | 104                | 163            | 49                  |
| Property and equipment                                   | 11,399             | 9,692          | 11,609              |
| Intangible assets  | 16,879             | 18,090         | 17,482              |
| Deferred income tax assets                               | 1,679              | 1,733          | 2,035               |
| <b>T o t a l non-current assets</b>                      | <u>30,822</u>      | <u>30,658</u>  | <u>31,958</u>       |
| <b>T o t a l assets</b>                                  | <u>116,713</u>     | <u>123,108</u> | <u>120,238</u>      |

\*Reflects the adoption of IFRS 11 and IAS 19

**AMIAD WATER SYSTEMS LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2013**

|  | <b>June 30</b>                   |                | <b>December 31,</b> |
|--|----------------------------------|----------------|---------------------|
|  | <b>2013</b>                      | <b>2012*</b>   | <b>2012*</b>        |
|  | <b>(Unaudited)</b>               |                | <b>(Audited)</b>    |
|  | <b>U.S. dollars in thousands</b> |                |                     |
| <b>Liabilities and equity</b>  |                                  |                |                     |
| <b>CURRENT LIABILITIES:</b>  |                                  |                |                     |
| Short-term credit and current maturities of borrowings from banks          | 15,719                           | 17,907         | 13,421              |
| Financial liabilities at fair value through profit or loss – derivatives   | 93                               | 625            | 112                 |
| Accounts payable and accruals:   |                                  |                |                     |
| Trade  | 16,972                           | 20,471         | 19,807              |
| Other  | 9,103                            | 9,367          | 10,499              |
| Current income tax liability   | 365                              | 545            | 958                 |
| Dividend payable   | 1,360                            | 1,242          |                     |
| <b>T o t a l current liabilities</b>                                       | <b>43,612</b>                    | <b>50,157</b>  | <b>44,797</b>       |
| <b>NON-CURRENT LIABILITIES:</b>  |                                  |                |                     |
| Borrowings from banks and others (net of current maturities)               | 14,403                           | 18,515         | 18,158              |
| Put option liability   | 1,924                            | 1,435          | 1,795               |
| Accrued severance pay  | 171                              | 11             | 115                 |
| Deferred income tax liabilities  | 1                                | 1              | 1                   |
| <b>T o t a l non-current liabilities</b>                                   | <b>16,499</b>                    | <b>19,962</b>  | <b>20,069</b>       |
| <b>T o t a l liabilities</b>   | <b>60,111</b>                    | <b>70,119</b>  | <b>64,866</b>       |
| <b>EQUITY:</b>   |                                  |                |                     |
| <b>Capital and reserves attributable to equity holders of the Company:</b> |                                  |                |                     |
| Share capital  | 2,798                            | 2,798          | 2,798               |
| Capital reserves   | 28,161                           | 24,794         | 28,029              |
| Currency translation reserve   | (1,016)                          | 189            | (147)               |
| Transaction with non controlling interest                                  | (180)                            | (180)          | (180)               |
| Retained earnings  | 26,862                           | 25,329         | 24,826              |
|  | 56,625                           | 52,930         | 55,326              |
| <b>NON CONTROLLING INTEREST</b>  | <b>(23)</b>                      | <b>59</b>      | <b>46</b>           |
| <b>T o t a l equity</b>  | <b>56,602</b>                    | <b>52,989</b>  | <b>55,372</b>       |
| <b>T o t a l liabilities and equity</b>                                    | <b>116,713</b>                   | <b>123,108</b> | <b>120,238</b>      |

\*Reflects the adoption of IFRS 11 and IAS 19

**The attached notes are an integral part of this condensed consolidated interim financial information.**

**AMIAD WATER SYSTEMS LTD.**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013**

|  | <b>Six months ended</b> |              | <b>Year ended</b>   |
|--|-------------------------|--------------|---------------------|
|  | <b>June 30</b>          |              | <b>December 31,</b> |
|  | <b>2013</b>             | <b>2012*</b> | <b>2012*</b>        |
|  | <b>(Unaudited)</b>      |              | <b>(Audited)</b>    |
| <b>U.S dollars in thousands</b>                                      |                         |              |                     |
| <b>except per share data</b>   |                         |              |                     |
| <b>REVENUE</b>   | 61,746                  | 66,214       | 130,764             |
| <b>COST OF SALES</b>   | 36,832                  | 37,375       | 74,800              |
| <b>GROSS PROFIT</b>  | 24,914                  | 28,839       | 55,964              |
| <b>RESEARCH AND DEVELOPEMEMNT EXPENSES</b>                           | 1,478                   | 1,560        | 2,893               |
| <b>SELLING AND MARKETING EXPENSES</b>                                | 13,261                  | 15,031       | 29,162              |
| <b>ADMINISTRATIVE AND GENERAL EXPENSES</b>                           | 5,950                   | 6,323        | 13,191              |
| <b>OTHER LOSSES (INCOME) NET</b>                                     | (6)                     | 59           | 60                  |
| <b>OPERATING PROFIT</b>  | 4,231                   | 5,866        | 10,658              |
| <b>FINANCIAL INCOME</b>  | 1,353                   | 428          | 1,336               |
| <b>FINANCE EXPENSES</b>  | (1,319)                 | (1,259)      | (1,829)             |
| <b>FINANCE EXPENSES - NET</b>  | (34)                    | 831          | 493                 |
| <b>EQUITY EARNING</b>  | 50                      | (1)          | 6                   |
| <b>INCOME BEFORE TAXES ON INOCME</b>                                 | 4,215                   | 5,036        | 10,159              |
| <b>INCOME TAX EXPENSES</b>   | 889                     | 884          | 2,086               |
| <b>INCOME FOR THE PERIOD</b>   | 3,326                   | 4,152        | 8,073               |
| <b>OTHER COMPREHENSIVE INCOME-</b>                                   |                         |              |                     |
| Currency translation differences                                     | 868                     | (208)        | 128                 |
| Remeasurement of net defined benefit liability                       |                         |              | 46                  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                     | 2,458                   | 4,360        | 7,899               |
| <b>PROFIT FOR THE PERIOD ATTRIBUTED TO:</b>                          |                         |              |                     |
| Equity holders of the Company  | 3,396                   | 4,188        | 8,122               |
| Non controlling interest   | (70)                    | (36)         | (49)                |
|  | 3,326                   | 4,152        | 8,073               |
|  | <b>U.S dollars</b>      |              |                     |
| <b>EARNINGS PER SHARE:</b>   |                         |              |                     |
| Attributable to the equity holders of the Company during the period: |                         |              |                     |
| Basic  | 0.147                   | 0.180        | 0.355               |
| Diluted  | 0.147                   | 0.180        | 0.340               |

\*Reflects the adoption of IFRS 11 and IAS 19

**The attached notes are an integral part of this condensed consolidated interim financial information.**



## AMIAD WATER SYSTEMS LTD.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

|  | Attributable to equity holders of the Company |               |                 |                              |   |                  | Non-controlling interest | Total shareholders' equity |               |
|--|---|---------------|-----------------|------------------------------|---|------------------|--------------------------|----------------------------|---------------|
|  | Number of shares                              | Share capital | Capital Reserve | Currency translation reserve | Transaction with non controlling Interest | Retained earning |                          |                            | Total         |
|  | U.S dollars in thousands                      |               |                 |                              |   |                  |                          |                            |               |
| BALANCE AT JANUARY 1, 2013 (audited)                                 | 22,663,651                                    | 2,798         | 28,029          | (147)                        | (180)                                     | 24,826           | 55,326                   | 46                         | 55,372        |
| <b>CHANGES DURING THE SIX MONTH ENDED JUNE 30, 2013</b> (unaudited): |   |               |                 |                              |   |                  |                          |                            |               |
| <b>Comprehensive income -</b>  |   |               |                 |                              |   |                  |                          |                            |               |
| Income for the period  |   |               |                 |                              |   | 3,396            | 3,396                    | (70)                       | 3,326         |
| <b>Other comprehensive income -</b>                                  |   |               |                 |                              |   |                  |                          |                            |               |
| Currency translation differences                                     |   |               |                 | (869)                        |   |                  | (869)                    | 1                          | (868)         |
| <b>Total comprehensive income</b>                                    |   |               |                 | (869)                        |   | 3,396            | 2,527                    | (69)                       | 2,458         |
| <b>Transaction with owners:</b>                                      |   |               |                 |                              |   |                  |                          |                            |               |
| Recognition of compensation related stock and option grants          |   |               | 132             |                              |   |                  | 132                      |                            | 132           |
| Dividend (\$0.06 per share)  |   |               |                 |                              |   | (1,360)          | (1,360)                  |                            | (1,360)       |
| <b>Total transactions with owners</b>                                |   |               | 132             |                              |   | (1,360)          | (1,228)                  |                            | (1,228)       |
| <b>BALANCE AT JUNE 30, 2013 (unaudited)</b>                          | <u>22,663,651</u>                             | <u>2,798</u>  | <u>28,161</u>   | <u>(1,016)</u>               | <u>(180)</u>                              | <u>26,862</u>    | <u>56,625</u>            | <u>(23)</u>                | <u>56,602</u> |
| BALANCE AT JANUARY 1, 2012 (audited)                                 | 22,590,690                                    | 2,789         | 24,692          | (20)                         | (180)                                     | 22,383           | 49,664                   | 96                         | 49,760        |
| <b>CHANGES DURING THE SIX MONTH ENDED JUNE 30, 2012</b> (unaudited): |   |               |                 |                              |   |                  |                          |                            |               |
| <b>Comprehensive income -</b>  |   |               |                 |                              |   |                  |                          |                            |               |
| Income for the period  |   |               |                 |                              |   | 4,188            | 4,188                    | (36)                       | 4,152         |
| <b>Other comprehensive income -</b>                                  |   |               |                 |                              |   |                  |                          |                            |               |
| Currency translation differences                                     |   |               |                 | 209                          |   |                  | 209                      | (1)                        | 208           |
| <b>Total comprehensive income</b>                                    |   |               |                 | 209                          |   | 4,188            | 4,397                    | (37)                       | 4,360         |
| <b>Transaction with owners:</b>                                      |   |               |                 |                              |   |                  |                          |                            |               |
| Dividend (\$0.055 per share)   |   |               |                 |                              |   | (1,242)          | (1,242)                  |                            | (1,242)       |
| Exercise of options of employee                                      | 72,961  | 9             | 102             |                              |   |                  | 111                      |                            | 111           |
| <b>Total transactions with owners</b>                                | 72,961  | 9             | 102             |                              |   | (1,242)          | (1,131)                  |                            | (1,131)       |
| <b>BALANCE AT JUNE 30, 2012 (unaudited)</b>                          | <u>22,663,651</u>                             | <u>2,798</u>  | <u>24,794</u>   | <u>189</u>                   | <u>(180)</u>                              | <u>25,329</u>    | <u>52,930</u>            | <u>59</u>                  | <u>52,989</u> |

**AMIAD WATER SYSTEMS LTD.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013**

|  | <u>Attributable to equity holders of the Company</u> |                      |                        |                                     |  |                         | <u>Non-controlling interest</u> | <u>Total shareholders' equity</u> |              |
|--|--|----------------------|------------------------|-------------------------------------|--|-------------------------|---------------------------------|-----------------------------------|--------------|
|  | <u>Number of shares</u>                              | <u>Share capital</u> | <u>Capital reserve</u> | <u>Currency translation reserve</u> | <u>Transaction with non-controlling Interest</u> | <u>Retained earning</u> |                                 |                                   | <u>Total</u> |
|  | <u>U.S dollars in thousands</u>                      |                      |                        |                                     |  |                         |                                 |                                   |              |
| <b>Balance at 1 January 2012</b>               | 22,590,690   | 2,789                | 24,692                 | (20)                                | (180)  | 22,383                  | 49,664                          | 96                                | 49,760       |
| <b>Comprehensive income -</b>                  |  |                      |                        |                                     |  |                         |                                 |                                   |              |
| Income for the year                            |  |                      |                        |                                     |  | 8,122                   | 8,122                           | (49)                              | 8,073        |
| <b>Other comprehensive income</b>              |  |                      |                        |                                     |  |                         |                                 |                                   |              |
| Currency translation differences               |  |                      |                        | (127)                               |  |                         | (127)                           | (1)                               | (128)        |
| remeasurement of net defined benefit liability |  |                      |                        |                                     |  | (46)                    | (46)                            |                                   | (46)         |
| <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>           | 72,691   | 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       |

**The attached notes are an integral part of this condensed consolidated interim financial information.**

**AMIAD WATER SYSTEMS LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013**

|  | <b>Six months ended<br/>June 30</b> |                | <b>Year ended<br/>December 31,</b> |
|--|-------------------------------------|----------------|------------------------------------|
|  | <b>2013</b>                         | <b>2012*</b>   | <b>2012*</b>                       |
|  | <b>(Unaudited)</b>                  |                | <b>(Audited)</b>                   |
|  | <b>U.S dollars in thousands</b>     |                |                                    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                           |                                     |                |                                    |
| Cash generated from operations (see note 6)                            | 2,730                               | 2,370          | 15,265                             |
| Interest paid  | (382)                               | (516)          | (1,054)                            |
| Interest received  | 78                                  | 250            | 325                                |
| Income tax paid  | (1,462)                             | (528)          | (677)                              |
| Net cash generated from operating activities                           | <u>964</u>                          | <u>1,576</u>   | <u>13,859</u>                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                           |                                     |                |                                    |
| Purchases of property and equipment                                    | (1,085)                             | (1,757)        | (5,053)                            |
| Purchases of intangible assets and capitalized development<br>Expenses | (339)                               | (799)          | (1,386)                            |
| Investments grants received  | 112                                 | 11             | 499                                |
| Restricted deposit   | 912                                 | (1,222)        | (1,254)                            |
| Proceeds from sale of property and equipment                           | 12                                  | 87             | 122                                |
| Collection of long-term loan granted to a related party                | (13)                                | 42             | 127                                |
| Net cash used in investing activities                                  | <u>(401)</u>                        | <u>(3,638)</u> | <u>(6,945)</u>                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                           |                                     |                |                                    |
| Dividends paid to equity holders of the Company                        |                                     |                | (2,398)                            |
| Receipt of long-term borrowings and other liabilities                  | 20                                  | 5,805          | 9,811                              |
| Repayments of long term borrowings                                     | (3,746)                             | (3,093)        | (6,930)                            |
| Proceeds from exercise of options                                      |                                     | 111            | 111                                |
| Short-term borrowings (repayments) from banks, net                     | 2,422                               | 185            | (5,080)                            |
| Net cash generated from (used in) financing activities                 | <u>(1,304)</u>                      | <u>3,008</u>   | <u>(4,486)</u>                     |
| <b>EXCHANGE LOSS (GAIN) ON CASH AND CASH<br/>EQUIVALENTS</b>           | <u>(247)</u>                        | <u>41</u>      | <u>117</u>                         |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                       | <u>(988)</u>                        | <u>987</u>     | <u>2,545</u>                       |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF<br/>PERIOD</b>            | <u>14,255</u>                       | <u>11,710</u>  | <u>11,710</u>                      |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                      | <u>13,267</u>                       | <u>12,697</u>  | <u>14,255</u>                      |

\*Reflects the adoption of IFRS 11 and IAS 19

**The attached notes are an integral part of this condensed consolidated interim financial information.**