

2 April 2009



Amiad Filtration Systems Ltd.
(“Amiad” or “the Company”)

Results for the full year to 31 December 2008

Amiad, the producer and global supplier of water filters and filtration systems for the industrial, municipal and irrigation markets, announces its full year results for the full year to 31 December 2008.

Financial Highlights

- Turnover rose 29% to US\$ 73.3m (2007: US\$57.0m)
- Operating income of US\$ 7.7m (2007: US\$6.3m)
- Profit before tax of US\$ 6.7m (2007: US\$5.9m)
- Net Profit of US\$ 5.3m (2007: US\$4.8m)
- Cash from operations amounted to US\$7 m (2007: US\$6.3m)
- Gross margins were 46.2 % (2007: 48.5 %)
- Basic and fully diluted earnings per share of 27.2 US cents (2007: 24.1 US cents per share)
- Final dividend for 2008 of 4.3 US cents per share (final dividend 2007: 4.8US cents per share), making a total dividend for the year of 7.8 US cents per share (total dividend for 2007: 7.8US cents per share)

Operational Highlights

- Sales growth in all main territories with North America being the largest contributor to revenues
- Strong growth in revenues seen in Asia which grew significantly compared with previous year and double growth in Africa/Middle East albeit from a low base in the previous year
- Industrial & municipal segment accounted for approximately 60% of the revenues in the year
- Projects in Russia, Kazakhstan and Ukraine showed good progress
- Secured new projects in India and significant project in Chile for automatic self-cleaning filters in power and mining industries respectively
- Secured new projects in Oil & Gas in Singapore, Malaysia and Brazil
- Timely action taken to mitigate impact of changing raw material prices and currency fluctuations in the early part of the year

Commenting on the results, Arik Dayan, Chief Executive Officer of Amiad, said:

“We are delighted to report good results as increasing pressures on clean water globally continued to drive demand for Amiad’s products in 2008.

“The Company has entered 2009 with an order backlog higher than the corresponding time in 2008 and is managing cash flow and expenses prudently in the light of challenging market conditions. Nevertheless, revenues for full year 2009 are expected to be ahead of current market expectations.”

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Operational Review

Revenues for the full year increased by 29% to US\$73.3m, compared to US\$57.0m in 2007 as demand for Amiad's products increased due to greater global demand for water infrastructure driven by the tightening in environmental and public health standards.

2008 has proved to be a pivotal year for Amiad in which the Company strengthened its organisation and enhanced its global sales and marketing teams in order to build on its progress made towards the end of 2007. In the year, the Company saw a shift in the trend towards greater demand for industrial & municipal projects with this segment becoming the largest in 2008. Industrial and municipal accounted for approximately 60% of the revenues generated and it is expected that this trend will continue into 2009.

Overall, the Company has seen its sales grow in most of its main territories, with North America being the largest contributor to revenues.

In the US, the growth was seen primarily in the municipal and industrial segment where the Company benefited from follow-on contracts including the provision of clean water for liquid gas storage in oil and gas industry. In addition, the Company won new orders for micro fiber automatic self-cleaning filters from a soft drinks producer as well as two sites for brine water filtration.

In South America, significant new business contracts have been won and developed in the year including in Brazil and Chile. In August 2008, the Company closed the first significant deal of its kind for a large project for water filtration for use in the mining industry in Chile, through the industrial and municipal distributor, started at the end of 2007. The Company expects to win new projects in Brazil, Chile and Mexico in the future.

Asia grew significantly compared with previous year. In particular, the main growth was seen in East Asia. In South Korea, the Company secured a large project for its thread and pre-filtration filters for the steel industry. Also, two large contracts were signed in Singapore in the oil & gas markets, one of which was deployed in Malaysia and the other in the North Sea. Other projects in China are progressing well and strong growth was seen in the year through an increase in the demand for Amiad's products from the steel and petrochemical industries and municipalities. In Australia, the Company embarked on several projects for water treatment systems using membrane technology.

The Company is focusing its efforts in India and regards it as a significant growth area. During 2008, the Company won a significant project for the power industry in India and hopes to build on this during 2009.

Europe remained the second largest contributor to revenues in the year. In Central Europe, the Company won a large project for the provision of clean water using screen filters and thread filters. Additionally, in the UK the Company appointed a new distributor, SKE Solutions to target the industrial and municipal segments.

As stated at the time of the interim results in the first half of 2008, the Company entered into an agreement to acquire a controlling interest in a Turkish company for a cash consideration of up to US\$1.4m. The deal was completed in July 2008 and is making good progress and is already contributing to revenues. The Company continues to seek opportunities for further acquisitions to acquire similar positions in order to increase its global presence.

There was significant growth in Africa and the Middle East with growth in revenues more than doubling, albeit from a low base in the previous year. This growth was seen primarily in the irrigation segment where the Company recently embarked on a project for the provision of clean water in Central Africa for filtration of river water. Early in the year, projects in the irrigation segment in the US and Europe included use of Company's products to provide clean water for crops such as corn, sugarcane and soya beans in response to the demand for alternative fuel sources.

Financial review

In 2008, revenues increased by 29% to US\$73.3m (2007: US\$57.0m), profit before tax was US\$6.7m (2007: US\$5.9m) and net profit was US\$5.3m (2007: US\$4.8m). In 2008, basic and fully diluted earnings per share were 27.2 US cents per share (2007: 24.1 US cents per share).

In 2008, the gross margin was down to 46.2% (2007: 48.5%) as the Company continued to be impacted by the weakness of the US dollar and increases in raw material prices. The Company worked to increase efficiency in production lines with tightened purchasing and increased prices across most product lines to mitigate some of the impact. In 2009, the Company expects a decrease in raw material prices and the currency fluctuations are working in its favour.

Cash from operations for the full year improved to \$7m, compared with US\$6.3m in 2007.

Dividend

The Directors have decided to declare a final dividend out of the Company's profits for the full year ended 31 December 2008 of 4.3 US cents per share (final dividend 2007: 4.8US cents per share), making a total dividend for the year of 7.8 US cents per share (total dividend for 2007: 7.8US cents per share) with an ex dividend date of 22 April 2009, a record date of 24 April 2009 and a payment date of 22 May 2009.

Outlook

The Company has entered 2009 with an order backlog higher than the corresponding time in 2008 and is managing cash flow and expenses prudently in the light of challenging market conditions. The demand for Amiad's products is expected to continue as the Company enters new territories and consolidates its positions in current markets.

AMIAD FILTRATION SYSTEMS LTD.
CONSOLIDATED BALANCE SHEETS

A s s e t s	31 December	
	2008	2007
	\$ in thousands	
CURRENT ASSETS:		
Cash and cash equivalents	6,509	4,060
Financial assets at fair value through profit or loss	527	2,112
Trade and other receivables:		
Trade	17,864	17,858
Other	1,996	1,126
Inventories	19,616	15,955
Current income tax assets	2,233	1,695
T o t a l current assets	48,745	42,806
NON-CURRENT ASSETS:		
Borrowing to a related party	697	703
Severance pay fund		196
Long-term receivables	109	158
Property and equipment	3,855	3,051
Intangible assets	6,835	3,815
Deferred income tax assets	1,583	*932
T o t a l non-current assets	13,079	8,855
T o t a l assets	61,824	51,661

*Reclassified.

Tal Yeshua
Chairman of the Board

Arik Dayan
CEO and Director

Tamar Sela
CFO

Date of approval of the financial statements by the board of directors: April 1, 2009.

AMIAD FILTRATION SYSTEMS LTD.
CONSOLIDATED BALANCE SHEETS

	31 December	
	2008	2007
	\$ in thousands	
Liabilities and equity		
CURRENT LIABILITIES:		
Short-term credit and borrowings from bank	10,903	8,674
Trade and other payable:		
Trade	12,728	12,028
Other	7,247	5,313
Current income tax liability	106	398
T o t a l current liabilities	30,984	26,413
NON-CURRENT LIABILITIES:		
Borrowings from banks and others (net of current maturities)	2,440	2,202
Put option liability	1,679	
Severance pay obligations	42	
T o t a l non-current liabilities	4,161	2,202
T o t a l liabilities	35,145	28,615
 EQUITY		
Capital and reserves attributable to equity holders of the Company:		
Share capital	2,342	2,291
Capital reserves	13,305	12,797
Currency translation reserve	(269)	360
Retained earnings	11,224	7,559
	26,602	23,007
MINORITY INTEREST	77	39
T o t a l equity	26,679	23,046
T o t a l liabilities and equity	61,824	51,661

AMIAD FILTRATION SYSTEMS LTD.
CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December	
	2008	2007
	\$ in thousands except per share data	
REVENUE	73,277	56,955
COST OF SALES	39,420	*29,304
GROSS PROFIT	33,857	27,651
SELLING AND MARKETING COSTS	18,068	*14,446
ADMINISTRATIVE AND GENERAL EXPENSES	8,089	*6,903
OTHER LOSSES	9	
OPERATING PROFIT	7,691	6,302
FINANCE INCOME	517	610
FINANCE COSTS	(1,541)	(1,009)
FINANCE COST- NET	(1,024)	(399)
PROFIT BEFORE INCOME TAXES	6,667	5,903
INCOME TAX EXPENSES	1,388	1,139
PROFIT FOR THE YEAR	5,279	4,764
ATTRIBUTABLE TO:		
Equity holders of the Company	5,244	4,582
Minority interest	35	182
	5,279	4,764
	\$	
Earnings per share attributable to the equity holders of the Company during the year (see note 19):		
Basic	0.274	0.243
Diluted	0.272	0.241

*Reclassified.

AMIAD FILTRATION SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Number of shares	Share Capital	Capital reserve	Currency			Total
				Translation reserve	Retained Earnings	Minority interest	
BALANCE AT 1 JANUARY 2007	18,872,723	2,291	12,797	164	4,303	19,555	19,900
CHANGES DURING THE YEAR ENDED 31 DECEMBER 2007:							
Currency translation differences	-	-	-	196	-	196	196
Profit for the year	-	-	-	-	4,582	4,582	4,764
Total recognized profit for 2007	-	-	-	196	4,582	4,778	4,960
Dividend (\$ 0.07 per share)	-	-	-	-	(1,410)	(1,410)	(1,410)
Purchase of minority interest, see note 16b(4)b	-	-	-	-	-	-	(488)
Share-based payment - Value of employee services	-	-	-	-	84	84	84
BALANCE AT 31 DECEMBER 2007	<u>18,872,723</u>	<u>2,291</u>	<u>12,797</u>	<u>360</u>	<u>7,559</u>	<u>23,007</u>	<u>23,046</u>
CHANGES DURING THE YEAR ENDED 31 DECEMBER 2008:							
Currency translation differences	-	-	-	(629)	-	(629)	(626)
Profit for the year	-	-	-	-	5,244	5,244	5,279
Total recognized profit for 2008	-	-	-	(269)	12,803	27,622	27,699
Dividend (\$ 0.083 per share)	-	-	-	-	(1,592)	(1,592)	(1,592)
Share-based payment - Value of employee services	-	-	-	-	13	13	13
Exercise of options by employees	364,808	51	508	-	-	559	559
BALANCE AT 31 DECEMBER 2008	<u>19,237,531</u>	<u>2,342</u>	<u>13,305</u>	<u>(269)</u>	<u>11,224</u>	<u>26,602</u>	<u>26,679</u>

AMIAD FILTRATION SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Note</u>	<u>Year ended 31 December</u>	
		<u>2008</u>	<u>2007</u>
<u>\$ in thousands</u>			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations	1	7,134	6,312
Interest paid		(747)	(722)
Income taxes paid		(3,616)	(2,029)
Net cash generated from operating activities		<u>2,771</u>	<u>3,561</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of subsidiary, net of cash acquired		(1,520)	
Purchase of property and equipment		(1,846)	(1,254)
Purchase of intangible assets		(545)	(599)
Investment grants received		29	169
Sale (Investment) in financial assets at fair value through profit or loss, net		2,012	(50)
Proceeds from sale of property and equipment		112	154
Long-term loan granted to a related party and others		(43)	(53)
Collection of long-term loan granted to a related party			
And other		104	47
Net cash used in investing activities		<u>(1,697)</u>	<u>(1,586)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Exercise of options by employees		559	
Dividends paid to equity holders of the Company		(1,592)	(1,410)
Receipt of long-term borrowings and other liabilities		1,786	1,316
Purchase of minority interest			(1,317)
Repayments of long term borrowings		(1,816)	(2,126)
Short-term borrowings from banks, net		2,554	1,354
Net cash granted (used in) financing activities		<u>1,491</u>	<u>(2,183)</u>
EXCHANGE GAIN (LOSSES) ON CASH AND CASH EQUIVALENTS		<u>(116)</u>	<u>51</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,449	(157)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>4,060</u>	<u>4,217</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>6,509</u></u>	<u><u>4,060</u></u>

AMIAD FILTRATION SYSTEMS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 1 - CASH FLOWS FROM OPERATING ACTIVITIES:

	Year ended 31 December	
	2008	2007
	\$ in thousands	
Profit for the year	5,279	4,764
(a) Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, and impairment amortization	1,388	1,017
Interest paid	747	722
Income taxes paid	3,616	2,029
Share based payment	13	84
Deferred income taxes, net	(733)	(249)
Accrued severance pay, net	238	(233)
Exchange rate differences on borrowings	(47)	12
Gain from marketable securities	(427)	(193)
Loss (gain) on sale of fixed assets	9	(3)
Exchange rate differences on loans to related party and others	(7)	(70)
	4,797	3,116
Changes in working capital:		
Increase in accounts receivable:		
Trade	(421)	(607)
Other	(1,418)	(1,476)
Increase in accounts payable:		
Trade	1,919	3,684
Other	1,647	2,059
Increase in inventories	(4,669)	(5,228)
	(2,942)	(1,568)
Cash generated from operations	7,134	6,312
Non-cash transaction - grant receivables regarding the purchase of Fixed assets	(31)	(55)