

15 April 2010

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



Results for the full year to 31 December 2009

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 twelve months to 31 December 2009.

Financial Summary

- Revenue was \$69.1m (2008: \$73.3m)
- Operating profit was \$7.9m (2008: \$7.7m)
- Profit before tax increased by 30% to \$8.7m (2008: \$6.7m)
- Gross margins at 48.1% (2008: 46.2%)
- Fully diluted earnings per share was \$0.33 (2008: \$0.27)
- Final dividend payable for 2009 of \$0.043 per share (2008: \$0.043 per share), making a total dividend for the year of \$0.078 per share (total dividend for 2008: \$0.078 per share)
- Cash and cash equivalents at 31 December 2009 of \$8.6m (31 December 2008: \$6.5m)

Operational Summary

- Irrigation segment slow to see recovery
- Increased sales in new and growing geographies of Chile, India and Turkey
 - Acquired majority stake in Indian distributor and established Amiad Filtration Systems (India) Private Limited
 - Post period-end, formed Amiad Andina in Chile
- Entered into discussions for the acquisition of Arkal Filtration Systems – and Amiad is now progressing towards satisfaction of the remaining conditions to complete the transaction
- Improved efficiency and streamlined operations
- New management successfully implementing growth strategy

Commenting on the results, Arik Dayan, Chief Executive Officer of Amiad, said: “Amiad has not been unaffected by the global economic downturn, which has been particularly severe in some of our key markets, especially the irrigation segment. However, we have been successful in taking action to improve efficiency, streamline operations and maintain tight control on costs, which has helped to mitigate some of the negative impacts of the economy and enabled Amiad to increase its net profit compared with last year.

“We remain focussed on enhancing our presence in growth markets and have achieved a number of milestones in this respect, in particular, the establishment of subsidiaries in India and Chile. This forms part of our expansion strategy, which is also demonstrated by our intended acquisition of Arkal to form an enlarged group with a greatly expanded product portfolio, geographical spread and sales team as well as benefit from a number of synergies. Consequently, as a result of internal restructuring and external growth, Amiad is well-positioned to deliver shareholder value in the mid to long term.”

Enquiries:

Amiad Filtration Systems Ltd.	
Arik Dayan, Chief Executive Officer Rivka Kalmanzon, Chief Financial Officer	+972 4 690 9500
Panmure Gordon	
Andrew Godber	+44 20 7459 3600

Corfin Communications	
Harry Chathli, Claire Norbury	+44 20 7977 0020

Operational Review

2009 was a pivotal year for Amiad. It maintained a tight cost control to manage the economic downturn and improved operational efficiency thereby positioning the Company for growth when market conditions improve.

Revenues for the twelve months ended 31 December 2009 decreased slightly to \$69.1m compared with \$73.3m for the previous year. This decrease in revenue was primarily due to the lag in recovery in the irrigation segment and the overall market slowdown in certain key territories. However, as a result of the tight cost control, favourable currency movements and operational efficiency gains, the net profit improved by 22% to \$6.5m (2008: \$5.3m) and gross margins were 48.1% (2008: 46.2%).

Since October 2008, there has been a shift in the mix between the industrial and municipal and the irrigation segments. At present, the industrial and municipal segment accounts for 70% of Company revenue and is expected to continue to be the largest contributor.

Amiad made significant inroads into new territories in 2009, which has continued into the new year.

In Asia, the Company had targeted India as its main growth area in 2009 and achieved a number of key milestones. Amiad successfully secured its first large project in the municipal segment for its automatic self cleaning filters and AMF technology for drinking water, which accounted for over \$650,000 of Company revenue. Also during the year, Amiad acquired a majority stake in JSK Engineering Co., an India-based distributor of components for the water filtration industry, from its owner Mr. Sudhir Mehta. As part of the agreement, the parties incorporated in India two private limited companies: Amiad Filtration Systems (India) Private Limited, which will engage in developing a filtration business in India, including marketing, distribution, sales and support of filtration products and solutions; and JSK Engg. Private Limited, which will engage in the development of the other business streams, such as the provision of equipment for the power and oil & gas industries. With industrial growth set to continue in India, and heightened interest for Amiad's products in the irrigation market coming through, the Company expects this acquisition to enable it to continue to capitalise on the increasing investment in water infrastructure in the country.

From Amiad's regional base in Singapore, the Company secured three large projects in the municipal segment that were delivered and executed in the Philippines. These projects were for the use of the AMF technology to produce drinking water. In addition, the Changi NEWater plant, which uses Amiad's pre-filtration solutions and is operated by Sembcorp Utilities Pte Ltd in Singapore, began its first phase of production in May 2009. Furthermore, in the Malaysian oil industry, the Company won a large project for its AMF technology and for cooling water, which was based on Amiad's screen technology. Elsewhere in Asia, as anticipated, the industrial markets in China saw a decline as the steel and petrochemical industries suffered the effects of the global downturn. However, the growth in other parts of Asia largely mitigated this decline.

Amiad also saw heightened activity in Asia through the Turkish business that the Company acquired in 2008 as it delivered large projects in the region as well as other countries such as India. Revenue in Turkey in 2009 was \$3.3m whereas the Company recognized revenue of \$0.78m for the previous year. In addition, Amiad has increased its delivery to Western Europe with projects for the municipal and the oil & gas industries.

In South America, Amiad continued to perform well. In Chile, the Company built on its successes to date within the mining industry and secured two projects for cooling water for a large engineering group, whilst in Brazil, Amiad embarked on a project with a large oil producer worth over \$400,000. Post-period, in January 2010, Amiad established Amiad Andina, a joint venture with its Chilean distributor, CIMA, a distribution company active in the irrigation and construction industries, to enhance the sale and marketing of Amiad's products and solutions in the industrial and municipal markets in Chile, Peru and Argentina. With growth in South America anticipated to continue as economic development progresses, the Company

maintains its strategy of exploring opportunities for strengthening its presence in the region and expects Amiad Andina to enhance its sales in the target countries.

In North America, projects that Amiad established in 2008 were successfully commissioned during this year.

Finally, Amiad began to see a return to growth in Africa. In March 2010, Amiad completed the testing and commissioning phase for its water treatment facility in Waku Kungo, Angola, which was installed in early 2010. The Company believes the facility is the first combined-use water treatment plant in Africa. The water treatment plant will filter the city's main water supply, the Kave River, providing 50,000 inhabitants and the residents of 15 surrounding villages with potable water for household needs as well as for agricultural and industrial use.

Acquisition of Arkal

To progress Amiad's growth strategy in Israel and globally, the Company is intending to acquire Arkal Filtration Systems Cooperative Agricultural Society Ltd ("Arkal").

On 5 November 2009, the Board of Amiad announced that it had signed a non-binding term sheet to acquire Arkal from its existing shareholders – Kibbutz Beit Zera and Bermad Industries.

Following the receipt of approvals of the relevant regulatory authorities in Israel and of the creditors of Kibbutz Beit Zera, and the completion of due diligence, Amiad entered into a conditional agreement for the acquisition of the entire issued share capital of, and ownership rights in, Arkal.

The acquisition was approved by the Company's shareholders at an Extraordinary General Meeting held on 9 March 2010 and is now progressing towards satisfaction of the remaining conditions to complete the transaction.

Arkal is one of the leading suppliers of water filtration solutions, with a particular presence in the irrigation market. Its primary product is the automatic Spin Klin system, based on disc filtration technology – which was introduced to the filtration industry by Arkal. It is expected that the addition of Arkal's product range, and sales and marketing infrastructure, will considerably enhance Amiad's offering in the irrigation segment as well as in the industrial and municipal markets.

The enlarged group will have a greatly expanded product portfolio, geographical spread and sales team. In addition, a number of synergies have been identified from which Amiad expects to benefit.

Following the receipt of approval from its shareholders, the Company has received clearance from the Israeli Antitrust Authority. It now awaits the approval of the banks prior to completing the deal, which Amiad expects to occur shortly. Following the completion, the Company will embark on its integration plan for Arkal and disclose to the market further details of the likely operational synergies.

Financial Review

Revenues for the twelve months ended 31 December 2009 decreased by 5.7% to \$69.1m compared with \$73.3m for the full year 2008. Fully diluted earnings per share increased by 22% to \$0.33 (2008: \$0.27).

Operating profit increased by 3.2% to \$7.9m compared to \$7.7m in 2008 and profit before tax increased by 30% to \$8.7m (2008: \$6.7m).

Gross margins increased to 48.1% compared with 46.2% in 2008.

As of 31 December 2009, cash and cash equivalents in the bank were \$8.6m compared with \$6.5m at 31 December 2008, reflecting the increase in organizational efficiency, streamlining of operations and tight control of costs.

Dividend

The Directors have decided to declare a final dividend out of the Company's profits for the twelve months ended 31 December 2009 of \$0.043 (gross) per share (final dividend 2008: \$0.043 (gross) per share), with an ex dividend date of 26 May 2010, a record date of 28 May 2010 and a payment date of 5 July 2010.

Management

Arik Dayan was promoted to the position of Chief Executive Officer of the Company in March 2009. Since his appointment, Arik has been focussing on cash flow and expense management as well as implementing a renewed growth strategy in which he has already made a number of achievements. Arik has worked at Amiad since 1997 and has a unique understanding of its business and operations gained through the insight and experience which he has acquired during his time at the Company.

Ms. Rivka Kalmanzon was appointed as Chief Financial Officer in August 2009. Ms. Kalmanzon has senior management experience in one of the "big 5" Certified Public Accountant firms in Israel, handling a broad spectrum of financial activities. Prior to joining Amiad, she served as CFO of several hi-tech, bio-tech and manufacturing companies in Israel and abroad, all of which have several overseas operations.

Outlook

Certain of Amiad's key markets continue to experience the negative effects of the difficult macro economic conditions. In 2010, whilst the impact on the municipal and industrial segment has been as expected, it has been greater in the irrigation segment, which has resulted in lower levels of sales, orders and backlog for the first half.

However, the Company still expects full year 2010 to be a transforming period. The expected completion of the Arkal acquisition will improve Amiad's offer in the irrigation segment and expand its reach into products for areas such as desalination of sea water. The acquisition is expected to contribute to full year revenues and profits.

Additionally, the Company's strategy of forming local alliances and increasing its presence in growth markets that are expected to invest in water infrastructure projects is helping to offset some of the loss of revenues in Amiad's traditional key territories. Also, the Company continues to tightly manage costs and is focussed on managing suppliers, inventories and overheads with maximum efficiency. Consequently, the Directors believe that Amiad is well-positioned to deliver shareholder value in the mid to long term.

AMIAD FILTRATION SYSTEMS LTD.
STATEMENTS OF FINANCIAL POSITION

	31 December	
	2009	2008
	\$ in thousands	
Assets		
Current Assets		
Cash and cash equivalents	8,575	6,509
Financial assets at fair value through profit or loss	254	527
Trade and other receivables:		
Trade	20,348	17,864
Other	1,869	1,996
Inventories	15,964	19,616
Current income tax assets	1,128	2,233
Total Current Assets	48,138	48,745
Non Current Assets		
Loans to a related party	650	697
Severance pay fund	125	
Long-term receivables	200	109
Property and equipment	3,440	3,855
Intangible assets	6,471	6,835
Deferred income tax assets	1,682	1,583
Total Non Current assets	12,568	13,079
Total Assets	60,706	61,824

AMIAD FILTRATION SYSTEMS LTD.
STATEMENTS OF FINANCIAL POSITION

	31 December	
	2009	2008
	\$ in thousands	
Liabilities and Equity		
Current Liabilities		
Short-term credit and borrowings from bank	9,669	10,903
Trade and other payable:		
Trade	7,616	12,728
Other	6,080	7,247
Current income tax liability	1,751	106
Total Current Liabilities	25,116	30,984
Non Current Liabilities		
Borrowings from banks and others (net of current maturities)	1,537	2,440
Put option liability	1,931	1,679
Severance pay obligations		42
Total Non Current Liabilities	3,468	4,161
Total Liabilities	28,584	35,145
Equity		
Capital and reserves attributable to equity holders of the Company:		
Share capital	2,342	2,342
Capital reserves	13,305	13,305
Currency translation reserve	243	(269)
Retained earnings	16,085	11,224
	31,975	26,602
Minority Interests	147	77
Total Equity	32,122	26,679
Total Liabilities and Equity	60,706	61,824

AMIAD FILTRATION SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2009	2008
	\$ in thousands except per share data	
Revenue	69,102	73,277
Cost of sales	35,863	39,420
Gross Profit	33,239	33,857
Selling and Marketing costs	16,843	18,068
Administrative and General Expenses	8,338	8,089
Other Losses	119	9
Operating Profit	7,939	7,691
Finance Income	1,719	517
Finance Costs	(984)	(1,541)
Finance Costs, net	735	(1,024)
Profit before Income Taxes	8,674	6,667
Income Tax Expenses	2,216	1,388
Profit for the year	6,458	5,279
Other comprehensive income-		
Currency translation differences	517	(626)
Total comprehensive income for the year	6,975	4,653
Profit attributable to:		
Equity holders of the Company	6,393	5,244
Minority interest	65	35
	6,458	5,279
Total comprehensive income attributable to:		
Equity holders of the Company	6,905	4,615
Minority interest	70	38
	6,975	4,653
	\$	
Earnings per share attributable to the equity holders of the Company during the year		
Basic	0.332	0.274
Diluted	0.332	0.272

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 translation reserve	Retained earnings	Total	Minority interest	Total Equity
	\$ in thousands							
Balance at 1 January 2008	18,872,723	2,291	12,797	360	7,559	23,007	39	23,046
Comprehensive income								
Profit for the year	-	-	-	-	5,244	5,244	35	5,279
Other comprehensive income								
Currency translation differences	-	-	-	(629)	-	(629)	3	(626)
Total comprehensive income				(629)	5,244	4,615	38	4,653
Transaction with owners :								
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
Total transaction with owners	364,808	51	508		(1,579)	(1,020)		(1,020)
Balance at 1 January 2009	19,237,531	2,342	13,305	(269)	11,224	26,602	77	26,679
Comprehensive income								
Profit for the year	-	-	-	-	6,393	6,393	65	6,458
Other comprehensive income								
Currency translation differences	-	-	-	512		512	5	517
Total comprehensive income	19,237,531	2,342	13,305	512	6,393	6,905	70	6,975
Transaction with owners :								
Dividend (\$0.078 per share)	-	-	-	-	(1,501)	(1,501)	-	(1,501)
Share-based payment - Value of employee services	-	-	-	-	(31)	(31)	-	(31)
Total transaction with owners	-	-	-	-	(1,532)	(1,532)	-	(1,532)
Balance at 31 December 2009	19,237,531	2,342	13,305	243	16,085	31,975	147	32,122

AMIAD FILTRATION SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2009	2008
	\$ in thousands	
Cash flows from operating activities:		
Cash generated from operations	8,595	7,134
Interest paid	(421)	(747)
Income taxes paid	(1,809)	(3,616)
Net cash generated from operating activities	<u>6,365</u>	<u>2,771</u>
Cash flows from investing activities:		
Acquisition of subsidiary	-	(1,520)
Purchase of property and equipment	(757)	(1,846)
Purchase of intangible assets	(326)	(545)
Investment grants received	29	29
Sale in financial assets at fair value through profit or loss, net	-	2,012
Proceeds from sale of property and equipment	241	112
Long-term loan granted to a related party and others	-	(43)
Collection (Granting) of long-term loan granted to a related party and other	(94)	104
Net cash used in investing activities	<u>(907)</u>	<u>(1,697)</u>
Cash flows from financing activities:		
Exercise of options by employees	-	559
Dividends paid to equity holders of the Company	(1,501)	(1,592)
Receipt of long-term borrowings and other liabilities	23	1,786
Repayments of long term borrowings	(1,416)	(1,816)
Short-term borrowings (repayments) from banks, net	(749)	2,554
Net cash granted (used in) financing activities	<u>(3,643)</u>	<u>1,491</u>
Exchange gain (losses) on cash and cash equivalents	251	(116)
Net increase in cash and cash equivalents	2,066	2,449
Cash and cash equivalents at beginning of year	<u>6,509</u>	<u>4,060</u>
Cash and cash equivalents at end of year	<u><u>8,575</u></u>	<u><u>6,509</u></u>