

29 March 2012

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



Results for the twelve months to 31 December 2011

Amiad, a leading global producer of water treatment and filtration solutions, announces its full year results for the twelve months ended 31 December 2011.

Financial Summary

- Revenue increased by 31% to \$117.3m (2010: \$89.4m)
- Operating profit was \$8.9m (2010: \$4.3m)
- Profit before tax was \$8.3m (2010: \$3.5m)
- Gross margins at 44% (2010: 43%)
- Fully diluted earnings per share was \$0.312 (2010: \$0.134)
- Final dividend for 2011 of \$0.055 per share (2010: \$0.058), making a total dividend for the year of \$0.104 (total dividend for 2010: \$0.078)
- Cash and cash equivalents at 31 December 2011 were \$11.8m (30 June 2011: \$15.0m; 31 December 2010: \$11.3m)

Operational Summary

- Strategic:
 - Adopted 'Amiad Water Systems Ltd' as the Company's name, reflecting the development and expansion of Amiad's offering
 - Operating under three brands: Amiad, Arkal (by Amiad) and Filtomat (by Amiad)
 - Now has nine global subsidiaries following the establishment of Amiad Sistemas de Agua LTDA ("Amiad Brazil") and acquisition of the remaining issued share capital of the Company's subsidiary in France leading to formation of "Amiad Europe"
- Operations:
 - In the industrial and municipal segments, sales were especially strong in Australia, China, East Europe, Southeast Asia and Turkey
 - Sales increased significantly in the irrigation segment, especially in the United States
 - Launched eight new products, representing a major expansion of Amiad's offering and including two that are designed specifically for its new target segments of oil & gas and ballast water

Commenting on the results, Arik Dayan, Chief Executive Officer of Amiad, said: "We are pleased to announce such a strong increase in sales and profits, reflecting the organic growth in Amiad's traditional segments and the first full-year contribution from Arkal. With our combined, enhanced portfolio of products, we aim to be able to form the core of any water filtration or treatment system worldwide.

"Looking ahead, we continue to expand our footprint globally and have entered 2012 with a much higher backlog than this time last year. With the global trend of investment in water infrastructure projects persisting, we expect demand for Amiad's products to rise, resulting in year-on-year growth."

Enquiries

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Operational Review

Amiad achieved significant growth in all segments in 2011 as Arkal Filtration Systems (“Arkal”) made its maiden full-year contribution following the Company’s acquisition of the business in April 2010. The products and projects that combined Amiad and Arkal technology contributed significantly to the Company achieving record revenues of \$117.3m for the year, an increase of 31% compared with full year revenues in 2010. The Company also changed its name to ‘Amiad Water Systems’ to reflect the evolution and expansion of the Amiad portfolio of products.

The Company performed well in all markets, with sales in the irrigation segment increasing globally, including a return to growth in the United States. The irrigation segment, which constituted approximately 43% of total revenues, increased by 36% compared with 2010. In the industrial and municipal segments, sales grew by 33% over the previous year and were especially strong in Australia, China, East Europe, Southeast Asia and Turkey. In 2011, the industrial and municipal segments constituted approximately 53% of total revenues.

Amiad continued to expand into new geographies and segments, receiving increased interest in projects in the ballast water industry and winning projects such as in the oil & gas industry in Australasia. Revenues generated by the ballast water and oil & gas segments combined increased by 80% compared with 2010 and constituted approximately 4% of total revenues.

In addition, Amiad pursued its strategy to consolidate existing subsidiaries as well as establishing a subsidiary in Brazil to target this key market.

Global Activity

Asia

In China, in addition to its traditional business in the country, one of the largest projects the Company undertook was in the oil & gas segment using its microfibre thread filter. In the second half of the year, Amiad was awarded two significant irrigation contracts.

In India, production continued to expand at Amiad’s subsidiary following the completion of the product assembly line in late 2010, which is now producing a small number of filters for the steel industry. The Company also experienced a growth in irrigation projects, which is expected to increase further in 2012.

As announced on 19 December 2011, Amiad entered into a \$2.85m agreement for the next stage of a water filtration project with one of South Korea’s largest steel factories, which is due to be delivered in 2012. This follows the successful completion of the initial two phases of the project, valued at approximately \$3m, that were carried out between 2007 and 2011. As part of the project, Amiad will install its innovative, microfibre filtration system in order to treat wastewater and protect the factory’s reverse osmosis membranes.

US and South America

In the United States, Amiad received increased interest for projects in the ballast water industry.

The Company also experienced a return to growth in the irrigation segment, driven primarily by an increase in farming and food consumption. Amiad undertook significant projects in the states of California and Florida. In 2012, the Company expects higher activity in the irrigation segment in the United States.

During the year, the Company established Amiad Brazil to focus on traditional industry, and the oil & gas and municipal segments. As announced on 13 June 2011, Amiad secured a project to provide its proprietary Arkal SpinKlin Disc Filters for the Aquapolo tertiary wastewater treatment project in São Paulo, Brazil. The facility, one of the largest of its kind in the Southern Hemisphere, produces reclaimed water for industrial purposes. The Company expects the business to grow in the mid- to long-term.

EMEA

For Amiad, the EMEA territory encompasses countries such as France and Spain in Europe; Russia and former CIS countries in East Europe; Turkey, Israel and others in the Middle East; and Africa. The Company saw a 28% year-on-year sales growth both in Western and Eastern Europe.

In Western Europe, Amiad grew in Italy, Norway, Spain and Sweden, primarily in the industrial, municipal and oil & gas segments. In France, Amiad successfully delivered the second phase of an existing project in the oil & gas segment for the provision of a salt leaching brine filtration system at an underground liquid hydrocarbon storage facility.

In Russia, the Company saw a doubling of sales due to projects mainly in the municipal segment, including a project for iron removal at a drinking water facility. Sales also grew in the Ukraine and the former Yugoslavian countries.

Australia

Amiad experienced its best ever year in Australia in terms of revenues and profits. It successfully commissioned a pre-filtration system, based on Arkal disc technology, at a desalination plant in Adelaide. The facility is designed to treat ocean water to reduce the reliance of the southern Australian states on water from the River Murray and other rain-dependent sources. The Amiad solution was incorporated from the design through construction phases of the pre-filtration system.

Post period-end, as announced on 20 February 2012, Amiad was awarded two significant contracts in Australia, valued at approximately US\$8m and US\$1.6m respectively, for reverse osmosis and pre-filtration membrane protection for projects in the desalination and oil & gas industries.

Strategic

The Company adopted 'Amiad Water Systems Ltd' as its new name to reflect the development and expansion of Amiad's offering following the merger with Arkal Filtration Systems. The enlarged business, operating in a greater number of market segments and geographies, aims to provide a wider range of products based on innovative solutions that can form the core of any water treatment system worldwide.

Based on distinct, but synergistic and complementary technologies, Amiad now operates under three brands:

- "Amiad" – automatic self-cleaning suction scanner screen technology-based products, providing a variety of filtration solutions for the industrial, municipal and irrigation segments;
- "Arkal (by Amiad)" – automatic self-cleaning disc filtration technology and polymer casing products, providing solutions for irrigation, municipal, ballast water and marine applications; and
- "Filtomat (by Amiad)" – automatic self-cleaning filtration solutions for the industrial and municipal segments, based on a unique patented microfibre technology that allows filtration to a finer degree, and provides automatic self-cleaning suction scanner screen technology to the irrigation segment.

In November 2011, Amiad launched eight new products under its three brands. The new products, which represent a major expansion of Amiad's offering, have applications across the Company's range of sectors, and include two that are designed specifically for its new target segments of oil & gas and ballast water. The new products will start to be delivered in 2012 and are already receiving significant interest.

During the year, Amiad continued to make progress on its stated strategy of expanding its presence through gaining full control of its subsidiaries in order to have a local presence and establish direct sales channels in competitive markets.

As announced on 7 February 2011, Amiad acquired the remaining issued share capital of its French subsidiary, and subsequently consolidated all central and western European activity under the newly established Amiad Water Systems Europe SAS (“Amiad Europe”). Similarly in China, Amiad completed the integration of the Arkal subsidiaries with the Company’s existing infrastructure.

The Company founded Amiad Sistemas de Agua LTDA in September 2011 as a wholly-owned subsidiary to enhance the sale and marketing of Amiad’s products and solutions in Brazil, where there is increasing interest and investment in water infrastructure projects.

Financial Review

Revenues for the twelve months ended 31 December 2011 increased by 31% to \$117.3m compared with \$89.4m for the full year 2010. Fully diluted earnings per share was \$0.312 (2010: \$0.134).

Operating profit was \$8.9m compared with \$4.3m in 2010 and profit before tax was \$8.3m (2010: \$3.5m).

Gross margins were 44% compared with 43% in 2010. As reported previously, during the first half of the year the Company faced pressure from the increased price of raw materials. Amiad took action to mitigate this increase, including raising the prices of its products. In 2012, gross margins are expected to be similar to full year 2011.

As of 31 December 2011, cash and cash equivalents in the bank were \$11.8m compared with \$15.0m at 30 June 2011 and \$11.3m at 31 December 2010. The reduction from 30 June 2011 mainly reflects an increase in working capital to support the Company’s growth. The Company also made an investment in SAP, and there was a growth in expenses relating to Research & Development and Sales & Marketing, including the launch of eight new products.

Dividend

The Directors have decided to declare a final dividend out of the Company’s profits for the twelve months ended 31 December 2011 of \$0.055 gross per share (final dividend 2010: \$0.058 gross per share), with an ex dividend date of 13 June 2012, a record date of 15 June 2012 and a payment date of 9 July 2012. This makes a total dividend for the year of \$0.104 per share (total dividend for 2010: \$0.078 gross per share).

Outlook

Amiad continues to expand its global footprint in the industrial and municipal markets, and to experience a strong return to growth in the irrigation segment. The new segments of ballast water and oil & gas are progressing well, and it is expected that their contribution to the Company’s sales will increase.

The Company has entered 2012 with a substantially higher backlog than at the corresponding period in 2011. With the global trend of investment in water infrastructure projects persisting, the Board expects demand for Amiad’s products to increase, resulting in continuing year-on-year growth.

AMIAD WATER SYSTEMS LTD.
(Formerly - Amiad Filtration Systems Ltd.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December	
	2011	2010
	\$ in thousands	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	11,848	11,293
Financial assets at fair value through profit or loss	442	2,513
Trade and other receivables:		
Trade	40,913	36,428
Other	4,277	3,134
Inventories	29,643	23,285
Current income tax assets	2,007	900
Total Current Assets	89,130	77,553
NON-CURRENT ASSETS:		
Investment in associates	10	10
Loans to a related party	558	642
Severance pay fund, net	112	373
Long-term receivables	397	363
Prepaid expenses	228	135
Property, plant and equipment	9,014	6,850
Intangible assets	19,287	18,743
Deferred income tax assets	1,503	928
Total Non Current Assets	31,109	28,044
Total Assets	120,239	105,597

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December	
	2011	2010
	\$ in thousands	
Liabilities and Equity		
CURRENT LIABILITIES:		
Short-term credit and current maturities of borrowings from bank	16,686	16,659
Financial liabilities at fair value through profit or loss- derivatives	816	47
Trade and other payable:		
Trade	24,387	18,331
Other	8,797	8,993
Current income tax liability	404	1,498
Total Current Liabilities	51,090	45,528
NON CURRENT LIABILITIES:		
Borrowings from banks and others (net of current maturities)	16,829	11,861
Put option liability	2,553	2,220
Deferred income tax liabilities	7	
Total Non Current Liabilities	19,389	14,081
Total Liabilities	70,479	59,609
EQUITY:		
Capital and reserves attributable to equity holders of the Company:		
Share capital	2,789	2,780
Capital reserves	24,692	24,467
Transaction with non-controlling interests	(180)	-
Currency translation reserve	(20)	708
Retained earnings	22,383	17,743
	49,664	45,698
Non-controlling interests	96	290
Total Equity	49,760	45,988
Total Liabilities and Equity	120,239	105,597

AMIAD WATER SYSTEMS LTD.
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2011	2010
	\$ in thousands except per share data	
Revenue	117,276	89,431
Cost of sales	66,097	50,760
Gross Profit	51,179	38,671
Research and development	1,838	836
Selling and marketing costs	28,157	22,746
Administrative and general expenses	12,293	11,608
Other gains	(48)	(777)
Operating Profit	8,939	4,258
Finance income	1,526	1,248
Finance costs	(2,132)	(2,030)
Finance costs, net	(606)	(782)
Profit before income taxes	8,333	3,476
Income tax expenses	1,293	419
Profit for the year	7,040	3,057
Other comprehensive income:		
Currency translation differences	(759)	595
Currency translation differences realised due to business combination	-	(139)
Total comprehensive income for the year	6,281	3,513
Profit attributable to:		
Equity holders of the Company	7,057	3,077
Non controlling interests	(17)	(20)
	7,040	3,057
Total comprehensive income attributable to:		
Equity holders of the Company	6,320	3,542
Non controlling interests	(39)	(29)
	6,281	3,513
	\$	
Earnings per share attributable to the equity holders of the Company during the year		
Basic	0.312	0.143
Diluted	0.312	0.134

AMIAD WATER SYSTEMS LTD.
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Non- controlling interest	Total equity
	Number of shares	Share capital	Capital reserve	Currency translation reserve	Transaction with non- controlling interest	Retained earnings	Total		
\$ in thousands									
BALANCE AT 1 JANUARY 2010	19,237,531	2,342	13,305	243		16,085	31,975	147	32,122
Comprehensive income:									
Profit for the year	-	-	-	-		3,077	3,077	(20)	3,057
Other comprehensive income									
Currency translation differences	-	-	-	604		-	604	(9)	595
Currency translation differences realised due to business combination	-	-	-	(139)		-	(139)	-	(139)
Total comprehensive income				465		3,077	3,542	(29)	3,513
Transaction with owners:									
Non controlling interest arising on business combination								172	172
Issuance of shares related to business combination	3,284,159	438	11,162				11,600		11,600
Dividend (\$0.063 per share)	-	-	-	-		(1,419)	(1,419)	-	(1,419)
Total transaction with owners	3,284,159	438	11,162	-		(1,419)	10,181	172	10,353
BALANCE AT 31 DECEMBER 2010	22,521,690	2,780	24,467	708		17,743	45,698	290	45,988
Comprehensive income:									
Profit for the year						7,057	7,057	(17)	7,040
Other comprehensive income									
Currency translation differences				(737)			(737)	(22)	(759)
Total comprehensive income				(737)		7,057	6,320	(39)	6,281
Transaction with owners:									
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)
Total transaction with owners	69,000	9	225	9	(180)	(2,417)	(2,354)	(155)	(2,509)
BALANCE AT 31 DECEMBER 2011	22,590,690	2,789	24,692	(20)	(180)	22,383	49,664	96	49,760

AMIAD WATER SYSTEMS LTD.
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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2011	2010
	\$ in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations	6,421	6,620
Interest paid	(903)	(719)
Interest received	289	148
Income taxes paid	(3,942)	(1,322)
Net cash generated from operating activities	1,865	4,727
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiary, net of cash acquired- Arkal	-	(9,159)
Acquisition of subsidiary, net of cash acquired -China	-	(2,267)
Acquisition of subsidiary, net of cash acquired -India	-	(182)
Acquisition of associate	-	(10)
Purchase of property, plant and equipment	(3,980)	(1,144)
Purchase of intangible assets and capitalised development expenses	(2,412)	(175)
Investment grants received	218	-
Sale of financial assets at fair value through profit or loss, net	1,933	868
Proceeds from sale of property, plant and equipment	122	109
Restricted deposit	259	(204)
Collection (granting) of long-term loan granted to a related party and other	84	(58)
Net cash used in investing activities	(3,776)	(12,222)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Acquisition of non controlling interest -		
Amiad France	(92)	-
Dividends paid to equity holders of the Company	(2,417)	(1,419)
Receipt of long-term borrowings and other liabilities	10,990	12,304
Repayments of long term borrowings	(4,995)	(2,771)
Short-term borrowings (repayments) from banks, net	(868)	2,007
Net cash generated from financing activities	2,618	10,121
EXCHANGE RATE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS	(152)	92
NET INCREASE IN CASH AND CASH EQUIVALENTS	555	2,718
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,293	8,575
CASH AND CASH EQUIVALENTS AT END OF YEAR	11,848	11,293