

2 April 2014

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



### **Results for the twelve months to 31 December 2013**

Amiad (AIM: AFS), a leading global producer of water treatment and filtration solutions, announces its full year results for the twelve months ended 31 December 2013.

#### **Financial Summary**

- Revenue was \$118.8m (2012: \$130.8m)
- Operating profit was \$5.7m (2012: \$10.7m)
- Profit before tax was \$5.1m (2012: \$10.2m)
- Gross margin was 40.8% (2012: 42.8%)
- Fully diluted earnings per share was \$0.153 (2012: \$0.344)
- Net debt reduced to \$13.7m (30 June 2013: \$16.9m; 31 December 2012: \$17.3m)
- Final dividend for 2013 of \$0.022 per share (2012: \$0.06), making a total dividend for the year of \$0.073 (total dividend for 2012: \$0.111)
- Cash and cash equivalents at 31 December 2013 were \$14.9m (30 June 2013: \$13.3m; 31 December 2012: \$14.3m)

#### **Operational Summary**

- Irrigation segment broadly flat on 2012 despite postponement of contracts in second half of the year
- Excluding the exceptional contract delivered in Australia in 2012, Municipal segment performance in 2013 was solid and was only slightly down on the previous year
- Strong growth experienced in Industrial segment in Europe, but was offset by a reduced number of projects in the US, Australia and South East Asia
- 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 impact sales in Ballast Water segment

Arik Dayan, Chief Executive Officer of Amiad, said: "As anticipated, 2013 was a transitional year as our traditional and new segments continued to be subject to the fluctuating market conditions and cautious spending on capital infrastructure projects. Additionally, the strengthening of the New Israeli Shekel against the US Dollar negatively impacted the profits more than expected. However, we were 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.

"As the global economy improves, we anticipate returning to growth in 2014. We expect an increase in revenue in the Oil & Gas segment, and the resumption of demand in the Industrial and Municipal segment in the second half of the year. The Irrigation segment, particularly in US, is expected to show sustained momentum through the year. We expect the exchange rate issue to continue to have a negative impact. As a result, the management is committed to maintaining tight cost control whilst continuing to invest in targeted sales & marketing and product development so that we are well-positioned to exploit the expansion opportunities as we return to growth in 2014."

## Enquiries

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## About Amiad

Amiad Water Systems (AIM: AFS) 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 ten 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**

As stated previously, 2013 was a transitional year as the Company's new products gained traction, and both its traditional and new segments continued to be subject to fluctuating market conditions, resulting in a decline in revenue to \$118.8m (2012: \$130.8m). In particular, the Company suffered from a slowdown in the US and India, particularly in the Municipal and Industrial segments, as well as from the postponement in the implementation of IMO regulations in the Ballast Water segment. However, revenue in the Irrigation segment was flat with the prior year whilst the Oil & Gas segment achieved significant growth. Gross margin was 40.8% (2012: 42.8%).

The Irrigation and Industrial segments generated \$50.9m and \$47.3m respectively during the period (2012: \$50.9m and \$52.3m), accounting for 42.9% and 39.9% of the Company's revenues. The Municipal segment generated \$10.4m (8.7%) compared with \$17.8m in 2012, however this decline was partly due to the delivery of an extraordinary project in the prior year 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.

Revenue in the Oil & Gas segment was \$8.0m, representing an increase of over 80% compared with \$4.4m in 2012. The segment accounted for 6.7% of overall revenue in 2013. Amiad expects that the Oil & Gas segment will continue to be a key growth engine and will increase its contribution to overall revenue.

There was a significant decline in revenue in the Ballast Water segment to \$2.1m, representing 1.8% of overall revenue, compared with \$5.7m in 2012. This was largely due to the previously stated postponement in the implementation of coastguard regulations by the IMO.

Amiad's new products continued to be well-received and are increasingly penetrating the market. During the year, the Company supplied the Scanjet in France; the Omega in Europe, Australia and South East Asia; and the Sigma in Australia and US.

### ***Global Activity***

#### *Asia*

Amiad achieved slight growth in Asia in 2013 compared with 2012, with revenue remaining stable in South East Asia whilst increasing in China and India.

In South East Asia, Amiad experienced weakness in the Industrial segment. However, the impact was mitigated by significant growth in the Oil & Gas segment due to new project wins in South East Asia. The Company also continued to supply its solutions to a large dairy farm in Vietnam for providing clean drinking water and process water

Revenue in India increased 20% (albeit from a low base), with a weak first half being offset by a strong second half of the year. The Company's strength in India is primarily based on the servicing of the steel & power industry in the Industrial segment. During the year, Amiad commissioned a project for Monnet Ispat & Energy Ltd to provide complete filtration for the cooling system at Monnet's integrated steel plant at Raigarh, which caters to the rapidly growing infrastructure and construction industry in India.

In China, the government's decision to increase the country's agricultural production resulted in increasing demand for Amiad's Irrigation solutions. The Company also increased its revenue in the Industrial segment. However, this was partially offset by a decrease in the Municipal and Oil & Gas segment, which resulted in 10% revenue growth overall in this territory.

#### *US and South America*

Amiad performed well and achieved growth in the Irrigation segment in the US, including a project in Florida using the Company's Filtomat solutions, and an increase in revenue in the Oil & Gas segment,

including delivering a project in Canada for a global energy and petrochemical company, albeit from a very low base. 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 as well as from a lack of projects in the Industrial segment. As a result, revenue for the year was approximately 15% below that in 2012. However, looking ahead, the Company is experiencing indications of recovery in the Industrial, Irrigation and Oil & Gas segments, and Amiad entered 2014 with a higher backlog than in the prior year in the US. In particular, it is witnessing significant activity in the fracking industry of the Oil & Gas segment. In addition, the Company installed its automatic self-cleaning screen filters in the first ship of a new class of US Navy aircraft carrier, the USS Gerald R. Ford (CVN 78), which was launched on 17 November 2013. Following the successful installation, the Company was awarded a contract to supply a pre-filtration solution for the aircraft carrier John F. Kennedy (CVN 79), the second ship of the new class, which will provide protection for the reverse osmosis ("RO") system to provide fresh water. Amiad's filtration solution was selected to extend the life of the RO membranes as well as reduce operating costs.

In the Oil & Gas segment, 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 being installed 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 Europe, achieving revenue growth of over 40%, primarily based on strength in the Industrial and Municipal segments, including significant work in Germany and Scandinavia for pre-filtration membrane protection as well as delivering a project at a paper mill in Spain. In the Oil & Gas segment, Amiad executed a project in Italy and installed its Omega products at a refinery in Romania. 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 and the region, revenue was in-line with the prior year, with significant growth in the Oil & Gas segment and an increase in the Municipal segment being offset by slight declines in the Irrigation and Industrial segments. Amiad installed and commissioned a solution for the protection of ultra-filtration membranes at the Ashdod Desalination Plant in the Municipal segment. 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. Revenue was also significantly lower in the Municipal segment due to the delivery of exceptional contracts in 2012. However, Amiad did undertake a continuation project with Origin Energy, one of Australia's leading integrated energy companies, for the supply of the Company's solutions for a project involving the processing of coal seam gas to liquefied natural gas.

#### **Financial Review**

Revenue for the twelve months ended 31 December 2013 was \$118.8m compared with \$130.8m for the full year 2012.

Fully diluted earnings per share was \$0.153 (2012: \$0.344).

Operating profit was \$5.7m compared with \$10.7m in 2012 and profit before tax was \$5.1m (2012: \$10.2m). Net profit was \$3.6m (2012: \$8.1m), which was slightly below the Company's expectations due to the negative impact of the weakness of the US Dollar against the New Israeli Shekel, which was greater than expected, as well as higher than anticipated taxation and operating expenses.

Gross margin was 40.8% compared with 42.8% in 2012. 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 31 December 2013, cash and cash equivalents in the bank were \$14.9m compared with \$13.3m at 30 June 2013 and \$14.3m at 31 December 2012. Net debt at year end was \$13.7m, a reduction of \$3.2m from \$16.9m at 30 June 2013. The decrease in net debt was primarily due to strong cashflow from operations and effective management of capital investment in the second half of the year.

## **Dividend**

The Directors have decided to declare a final dividend out of the Company's profits for the twelve months ended 31 December 2013 of \$0.022 gross per share (final dividend 2012: \$0.06 gross per share), with an ex dividend date of 11 June 2014, a record date of 13 June 2014 and a payment date of 10 July 2014. This makes a total dividend for the year of \$0.073 per share (total dividend for 2012: \$0.111 gross per share), which represents approximately 45% of net earnings compared with approximately 33% in 2012.

## **Outlook**

The fundamental proposition of the Company remains strong as there is sustained and increasing demand for clean water. The management believes that it has the market-leading technology and products that will enable it to capture opportunities across all the market segments and territories in which it operates.

As the global economy improves, Amiad anticipates returning to growth in 2014. At the end of Q1 2014, backlog was 15% higher than at 31 December 2013. The Company expects the resumption of demand in the Industrial and Municipal segment with acceleration in the second half of the year. The Irrigation segment, particularly in US, is expected to show sustained momentum through the year.

The Oil & Gas segment is expected to continue to grow in 2014 and beyond. This segment has entered 2014 with a higher backlog of orders in the US where, in particular, Amiad is witnessing an increase in activity in the fracking industry. The Ballast Water segment continues to suffer from the postponement of the implementation of IMO regulation and a lack of clear direction resulting in reduced impetus for change amongst ship builders. As a result, growth in this segment will occur when a significant number of ship builders commence implementing the IMO regulations once they come into force. Whilst this is an increasingly competitive area, there are considerable growth expectations for the Ballast Water industry in general over the next few years and the Company believes it can increase its share of this market over that period.

The Company expects the weakness of the US Dollar against the New Israeli Shekel to continue to have a negative impact. As a result, the management is committed to maintaining tight cost control whilst continuing to invest in targeted sales & marketing and product development so that the Company is well-positioned to exploit the expansion opportunities as Amiad returns to growth in 2014.

**AMIAD WATER SYSTEMS LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>31 December</b>	
	<b>2013</b>	<b>2012*</b>
	<b>\$ in thousands</b>	
<b>Assets</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	14,871	14,255
Financial assets at fair value through profit or loss	480	1,140
Trade and other receivables:		
Trade	41,560	40,831
Other	3,501	5,336
Inventories	25,277	26,017
Current income tax assets	367	701
<b>Total Current Assets</b>	<b>86,056</b>	<b>88,280</b>
<b>NON-CURRENT ASSETS:</b>		
Investment in joint venture	-,	76
Loans to a related party	100	635
Severance pay fund, net	261	215
Long-term receivables	36	72
Prepaid expenses	-,	49
Property, plant and equipment	11,449	11,609
Intangible assets	16,846	17,482
Deferred income tax assets	1,722	2,035
<b>Total Non Current Assets</b>	<b>30,414</b>	<b>32,173</b>
<b>Total Assets</b>	<b>116,470</b>	<b>120,453</b>

\*Reflects the adoption of IFRS 11 and IAS 19 amendment.

**AMIAD WATER SYSTEMS LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>31 December</b>	
	<b>2013</b>	<b>2012*</b>
	<b>\$ in thousands</b>	
<b>Liabilities and Equity</b>		
<b>CURRENT LIABILITIES:</b>		
Bank credit and current maturities of borrowings from bank	10,544	13,421
Financial liabilities at fair value through profit or loss- derivatives	63	112
Trade and other payable:		
Trade	19,670	19,807
Other	9,433	10,499
Put option liability	2,204	
Current income tax liability	529	958
<b>Total Current Liabilities</b>	42,443	44,797
<b>NON CURRENT LIABILITIES:</b>		
Borrowings from banks (net of current maturities)	17,988	18,158
Investment in associate	110	
Put option liability		1,795
Accrued severance pay ,net	381	330
Deferred income tax liabilities	1	1
<b>Total Non Current Liabilities</b>	18,480	20,284
<b>Total Liabilities</b>	60,923	65,081
<b>EQUITY:</b>		
<b>Capital and reserves attributable to equity holders of the Company:</b>		
Share capital	2,798	2,798
Capital reserves	28,271	28,029
Transaction with non-controlling interests	(180)	(180)
Currency translation reserve	(1,416)	(147)
Retained earnings	26,082	24,826
	55,555	55,326
<b>Non-controlling interests</b>	(8)	46
<b>Total Equity</b>	55,547	55,372
<b>Total Liabilities and Equity</b>	116,470	120,453

\*Reflects the adoption of IFRS 11 and IAS 19 amendment.

**AMIAD WATER SYSTEMS LTD.**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<b>Year ended 31 December</b>	
	<b>2013</b>	<b>2012*</b>
	<b>\$ in thousands except per share data</b>	
Revenue	118,787	130,764
Cost of sales	70,360	74,800
<b>Gross Profit</b>	48,427	55,964
Research and development, net	3,357	2,893
Selling and marketing costs	27,456	29,162
Administrative and general expenses	11,929	13,191
Other gains (losses)	27	(60)
<b>Operating Profit</b>	5,712	10,658
Finance income	1,901	1,450
Finance costs	(2,278)	(1,943)
<b>Finance costs, net</b>	(377)	(493)
<b>Share in loss of joint venture</b>	(188)	(6)
<b>Profit before income taxes</b>	5,147	10,159
Income tax expenses	1,499	2,086
<b>Profit for the year</b>	3,648	8,073
<b>Other comprehensive income (loss)- Items that will not be reclassified to profit or loss:</b>		
Remeasurements of post-employment benefit obligations	72	(46)
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Currency translation differences	1,271	128
<b>Other comprehensive income for the year</b>	1,199	174
<b>Total comprehensive income for the year</b>	2,449	7,899
<b>Profit attributable to:</b>		
Equity holders of the Company	3,700	8,122
Non controlling interests	(52)	(49)
	3,648	8,073
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	2,503	7,949
Non controlling interests	(54)	(50)
	2,449	7,899
	\$	
<b>Earnings per share attributable to the equity holders of the Company during the year :</b>		
Basic	0.163	0.359
Diluted	0.153	0.344

\*Reflects the adoption of IFRS 11 and IAS 19 amendment.

**AMIAD WATER SYSTEMS LTD.**  
**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								
<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>									
Profit for the year						8,122	8,122	(49)	8,073
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
<b>Comprehensive income:</b>									
Profit for the year						3,700	3,700	(52)	3,648
Currency translation differences				(1,269)			(1,269)	(2)	(1,271)
Remeasurement of net defined benefit liability*						72	72		72
<b>Total comprehensive income</b>				(1,269)		3,772	2,503	(54)	2,449
<b>Transaction with owners:</b>									
Recognition of compensation related to employee stock and options grants			242				242		242
Dividend (\$0.106 per share)						(2,516)	(2,516)		(2,516)
<b>Total transaction with owners</b>			242			(2,516)	(2,274)		(2,274)
<b>BALANCE AT 31 DECEMBER 2013</b>	22,663,651	2,798	28,271	(1,416)	(180)	26,082	55,555	(8)	55,547

\*Reflects the adoption of IFRS 11 and IAS 19 amendment.

**AMIAD WATER SYSTEMS LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year ended 31 December</b>	
	<b>2013</b>	<b>2012*</b>
	<b>\$ in thousands</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash generated from operations	9,547	15,265
Interest paid	(815)	(1,054)
Interest received	273	325
Income taxes paid	(926)	(677)
Net cash generated from operating activities	8,079	13,859
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(2,406)	(5,053)
Purchase of intangible assets	(756)	(1,386)
Investment grants received	130	499
Proceeds from sale of property, plant and equipment	40	122
Restricted deposit	718	(1,254)
Collection of long-term loan granted to a related party and other	637	127
Net cash used in investing activities	(1,637)	(6,945)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid to equity holders of the Company	(2,516)	(2,398)
Proceeds from exercise of option		111
Receipt of long-term borrowings	8,570	9,811
Payments of long term borrowings	(7,452)	(6,930)
Short-term payments from banks	(3,932)	(5,080)
Net cash used to financing activities	(5,330)	(4,486)
<b>EXCHANGE RATE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS</b>	(496)	117
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	616	2,545
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	14,255	11,710
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	14,871	14,255

\*Reflects the adoption of IFRS 11 and IAS 19 amendment.

