

6 September 2012

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



Results for the six months to 30 June 2012

Amiad, a leading global producer of water treatment and filtration solutions, announces its half year results for the six months ended 30 June 2012.

Financial Summary

- Revenue increased by 13% to \$66.4m (H1 2011: \$59.0m)
- Operating profit was \$5.9m (H1 2011: \$5.5m)
- Profit before tax was \$5.0m (H1 2011: \$4.9m)
- Gross margins at 44% (H1 2011: 44%)
- Fully diluted earnings per share was \$0.18 (H1 2011: \$0.18)
- Interim dividend of \$0.051 per share (H1 2011: \$0.049)
- Cash and cash equivalents at 30 June 2012 were \$12.7m (31 December 2011: \$11.8m; 30 June 2011: \$15.0m)

Operational Summary

Traditional Segments (Irrigation, Industrial and Municipal)

- Irrigation and Industrial segments saw solid revenue growth
- Municipal segment saw a slight dip in H1 2012 compared with the strong H1 2011, but recovery expected in H2 2012 based on the current projects underway
- Awarded a significant contract in Australia in the Municipal (desalination) segment as well as for ultra-filtration membrane protection at the Ashdod Desalination Plant in Israel

New Developing Segments (Ballast Water and Oil & Gas)

- Significant increase in the contribution to revenues from Amiad’s new segments of Ballast Water and Oil & Gas. For both segments, revenues in H1 2012 were greater than for FY 2011
- Signed a long-term supply agreement with Calgon Carbon Corporation (NYSE: CCC) (“Calgon”) for incorporation of Arkal technology in Calgon’s Hyde GUARDIAN® Ballast Water Treatment Systems
- Sales particularly strong in the Ballast Water segment in the US
- Secured significant contract in the Oil & Gas segment for pre-filtration membrane protection in Australia
- Progress was made with the Company’s new products, in particular the Arkal AR-3 (Super Flow 70) contributed to revenues in the Ballast Water segment in the US and the Arkal AR-1 (Super Galaxy) is in the pre-commissioning phase for the Ashdod Desalination Plant

Commenting on the results, Arik Dayan, Chief Executive Officer of Amiad, said: “We are pleased to report another period of solid growth for Amiad. Our traditional segments of Irrigation, Municipal and Industrial have made good progress, the new segments are achieving stellar growth (albeit from a low revenue base) and our solutions are attracting worldwide interest.

“Looking ahead, the Company has entered the second half with a higher backlog than at the equivalent period in 2011. The new segments are expected to continue to grow as products introduced last year gain traction globally and the traditional segments maintain steady progress. As a result, the Company is on track to achieve double digit revenue growth for full year 2012 in line with market expectations.”

Enquiries

Amiad Water Systems Ltd.	
Arik Dayan, Chief Executive Officer Amir Harel, Chief Financial Officer	+972 4 690 9500
Nomura Code Securities Ltd.	
Clare Terlouw, Giles Balleny	+44 20 7776 1200
Luther Pendragon	
Harry Chathli, Claire Norbury	+44 20 7618 9100

Operational Review

The revenue momentum from 2011 continued into the first half of 2012 with Amiad achieving growth of 13% to \$66.4m (H1 2011: \$59.0m). This was a result of solid revenue growth in the traditional Irrigation and Industrial segments, and significant revenue growth in the new segments of Ballast Water and Oil & Gas. Gross margins were maintained at 44%, similar to the equivalent period in 2011.

The Irrigation and Industrial segments constituted approximately 42% and 43% of H1 2012 revenues respectively, which was broadly similar to their proportions of FY 2011 revenue. There was a decline in the Municipal segment revenues due to the constraints on public funding and projects, particularly in the US and Europe, as a result of the politico-economic environments of those geographies. This segment constituted approximately 5.5% of the Company's revenues for the period (FY 2011: 8.5%). However, due to signed contracts and backlog to date, the Company expects the revenues in the Municipal segment to recover in the second half of 2012 and that the percentage contribution to FY 2012 revenues will be similar to that for FY 2011.

The two new developing segments of Ballast Water and Oil & Gas made a strong start to the year as revenues in H1 2012 were more than the revenues for the whole of 2011. For the six months ended 30 June 2012, the Ballast Water and Oil & Gas segments accounted for approximately 5.7% and 3.8% of revenues respectively.

Progress was made with Amiad's eight new products that were launched in November 2011. The Arkal AR-3 (Super Flow 70) is already contributing to revenues in the Ballast Water segment in the US. Several of the products are undergoing pilot tests and the Arkal AR-1 (Super Galaxy) is in the pre-commissioning phase for the Ashdod Desalination Plant. It is expected that the Arkal AR-1 (Super Galaxy) will generate revenues during the second half of 2012 and the other products will begin contributing from the first half of 2013.

At the Company's Beit Zera site in Israel, construction continued on a new factory for injection moulding, which will produce combined Amiad-Arkal polymer-based products. It is expected that production will commence during the fourth quarter of 2012. This reflects Amiad's strategy regarding the growth potential of polymer-based products, particularly for the ballast water industry.

Global Activity

Asia

In China, revenues for the first half of 2012 were broadly similar to the same period of the prior year, with sales primarily in the Industrial and Municipal segments. The Company is also seeing the beginning of the funding of large irrigation projects, and it expects this funding to expand further in 2012. Similarly, in Singapore, sales were in line with the first half of 2011 and Amiad recently delivered a project for Hyundai there, which is now in the commissioning phase.

Amiad performed well in India, with revenues for the first half of 2012 exceeding the whole of 2011. This growth is primarily from the Industrial segment, with projects in the power generation sector and with steel factories. In addition, the production line at Amiad's subsidiary in India is now almost functioning at full capacity.

US and South America

In the US, Amiad achieved strong growth in the Ballast Water segment. The Company signed a long-term supply agreement with Calgon Carbon Corporation to provide its Arkal automatic self-cleaning disc filtration technology for incorporation within Calgon's Hyde GUARDIAN Ballast Water Treatment Systems. The combined solution will be used both on new ship builds as well as to retrofit existing ships, and will be applied to US and international carriers. The Hyde GUARDIAN unit received International Maritime

Organization (IMO) Type Approval in April 2009 and was the first ballast water treatment system accepted in the U.S. Coast Guard's Shipboard Technology Evaluation Program. The agreement was signed through the Company's wholly-owned subsidiary, Amiad USA, Inc., and with Hyde Marine, Inc., a subsidiary of Calgon.

Momentum continued in the Irrigation segment in the US, with a growth rate of 16%, driven primarily by an increase in farming and food consumption. The Industrial segment performed well, achieving the same level of revenues as the equivalent period last year. However, there was a decline in the Municipal segment due to a slowdown in activity in the public sector ahead of the political elections.

EMEA

In Western Europe, the Company achieved growth in revenues, but this was largely due to a significant project in the Oil & Gas segment in France where Amiad provided a salt leaching brine filtration system at an underground liquid hydrocarbon storage facility. In general, Amiad experienced weakness in the Western European market, with a particular slowdown in the Municipal segment, which the Company expects will persist throughout 2012.

In Eastern Europe and Russia, however, Amiad performed well, winning projects in the steel industry in Kazakhstan and several significant projects in Russia. During the period, Amiad installed two new projects with existing customers in Eastern and Western Russia respectively: the former is to provide pre-filtration for reverse osmosis membrane protection for process water and the latter is for iron ore removal from well water at a municipal treatment plant to produce potable water.

In Israel, Amiad signed a contract, valued at \$1.67m, to provide an Arkal AR-1 (Super Galaxy) automatic disc filtration system (SpinKlin R) for the protection of ultra-filtration membranes at the Mekorot Group, Israel's national water company, Ashdod Desalination Plant, which is due to commence operation in early 2013. It will be one of the largest such facilities in Israel, producing 100 million cubic metres of water per year, accounting for approximately 15% of Israeli domestic water consumption. Amiad's system will have a filtration degree of 100 micron and will be required to withstand a flow rate of 40,000 cubic metres per hour. The Company will begin supplying the units from October 2012, with installation due to occur in March 2013.

Australia

The momentum in Australia was maintained, with Amiad achieving strong growth, which was led by the Municipal and Industrial segments, especially the mining industry. In particular, the Company was awarded two significant contracts, valued at approximately \$8m and \$1.6m respectively, for reverse osmosis and pre-filtration membrane protection for projects in the desalination and oil & gas industries. The larger of the projects involves the supply and commissioning of the Company's Amiad automatic self-cleaning screen filter technology for seawater reverse osmosis membrane protection at the Southern SeaWater Desalination Plant, which is located in Binningup, south of Perth. The other contract is with Origin Energy, one of Australia's leading integrated energy companies, for the supply and commissioning of the Company's Arkal automatic self-cleaning disc technology (Spin Klin Galaxy) for Origin's Australia Pacific LNG project for the processing of coal seam gas to liquefied natural gas. Amiad's solution will perform pre-filtration to ensure membrane protection during the process.

Financial Review

Revenues for the six months ended 30 June 2012 increased by 13% to \$66.4m compared with \$59.0m for the first half of 2011. Fully diluted earnings per share was \$0.18 (H1 2011: \$0.18).

Operating profit was \$5.9m compared with \$5.5m for the first half of 2011, and profit before tax was \$5.0m (H1 2011: \$4.9m).

Gross margins were maintained at 44% (H1 2011: 44%; H2 2011: 43%).

As of 30 June 2012, cash and cash equivalents in the bank were \$12.7m compared with \$11.8m at 31 December 2011 and \$15.0m at 30 June 2011. The reduction from the same time last year mainly reflects an increase in working capital to support the Company's growth. The Company also made an investment in SAP and CRM systems, and there was a growth in expenses relating to Research & Development and Sales & Marketing, including the launch of eight new products. The increase in cash and cash equivalents over the six month period ended 30 June 2012 is mainly due to additional long-term bank loans, which were partly offset by an increase in working capital to support the Company's growth and the investment made in the period (SAP, CRM, R&D and machinery).

Dividend

The Directors have decided to declare an interim dividend out of the Company's profits for the six months ended 30 June 2012 of \$0.051 gross per share (interim dividend 2011: \$0.049 gross per share), with an ex dividend date of 10 October 2012, a record date of 12 October 2012 and a payment date of 31 October 2012.

Outlook

Amiad continues to expand due to increasing investment in water infrastructure primarily in the BRIC territories as well as in some developed countries. The new products introduced at the end of last year are receiving growing interest, which is translating to sales. The Company is expanding through gaining market share in its traditional segments and via opportunities in its new segments, and Amiad is looking to accelerate this growth organically and, where necessary, inorganically.

The Company has entered the second half of 2012 with a higher backlog than at the equivalent period last year. The new segments are expected to continue to grow as products introduced in 2011 gain traction globally, and the traditional segments maintain steady progress. As a result, the Company is on track to achieve double digit revenue growth for full year 2012 in line with market expectations.

AMIAD WATER SYSTEMS LTD.
(Amiad Filtration Systems Ltd. formerly)
CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 2012

	June 30		December 31
	2012	2011	2011
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	12,733	15,005	11,848
Financial assets at fair value through profit or loss	229	636	442
Accounts receivable and accruals:			
Trade	45,268	40,432	40,913
Other	5,227	4,154	4,277
Inventories	28,027	26,523	29,643
Income tax assets	1,235	1,855	2,007
T o t a l current assets	92,719	88,605	89,130
NON-CURRENT ASSETS:			
Investments in associates	10	10	10
Loan to a related party	527	647	558
Severance pay fund		357	112
Long-term receivables	273	315	397
Prepaid expenses	163	228	228
Property and equipment	9,705	7,520	9,014
Intangible assets	19,392	18,219	19,287
Deferred income tax assets	1,733	1,376	1,503
T o t a l non-current assets	31,803	28,672	31,109
T o t a l assets	124,522	117,277	120,239

AMIAD WATER SYSTEMS LTD.
(Amiad Filtration Systems Ltd. formerly)
CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 2012

	<u>June 30</u>		<u>December 31</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>U.S. dollars in thousands</u>		
Liabilities and equity			
CURRENT LIABILITIES:			
Short-term credit and current maturities of borrowings from banks	17,907	19,300	16,686
Financial liabilities at fair value through profit or loss – derivatives	625	188	816
Accounts payable and accruals:			
Trade	20,540	25,212	24,387
Other	9,402	9,234	8,797
Dividend payable	1,242	1,310	-
Current income tax liability	553	782	404
T o t a l current liabilities	<u>50,269</u>	<u>56,026</u>	<u>51,090</u>
NON-CURRENT LIABILITIES:			
Borrowings from banks and others (net of current maturities)	18,515	9,955	16,829
Put option liability	2,737	2,379	2,553
Accrued severance pay	11		
Deferred income tax liabilities	1	9	7
T o t a l non-current liabilities	<u>21,264</u>	<u>12,343</u>	<u>19,389</u>
T o t a l liabilities	<u>71,533</u>	<u>68,369</u>	<u>70,479</u>
EQUITY:			
Capital and reserves attributable to equity holders of the Company:			
Share capital	2,798	2,789	2,789
Capital reserves	24,794	24,692	24,692
Currency translation reserve	189	949	(20)
Transaction with non controlling interest	(180)	(180)	(180)
Retained earnings	25,329	20,517	22,383
	<u>52,930</u>	<u>48,767</u>	<u>49,664</u>
NON CONTROLLING INTEREST			
	59	141	96
T o t a l equity	<u>52,989</u>	<u>48,908</u>	<u>49,760</u>
T o t a l liabilities and equity	<u>124,522</u>	<u>117,277</u>	<u>120,239</u>

AMIAD WATER SYSTEMS LTD.
(Amiad Filtration Systems Ltd. formerly)

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

	Six months ended June 30		Year ended December 31
	2012	2011	2011
	(Unaudited)		(Audited)
	U.S dollars in thousands except per share data		
REVENUE	66,394	59,048	117,276
COST OF SALES	37,416	32,932	66,097
GROSS PROFIT	28,978	26,116	51,179
RESEARCH AND DEVELOPEMEMNT	1,560	1,107	1,838
SELLING AND MARKETING COSTS	15,159	13,717	28,157
ADMINISTRATIVE AND GENERAL EXPENSES	6,339	5,763	12,293
OTHER LOSSES (INCOME) NET	59	6	(48)
OPERATING PROFIT	5,861	5,523	8,939
FINANCE INCOME	434	635	1,526
FINANCE COSTS	(1,259)	(1,243)	(2,132)
FINANCE COST, NET	(825)	(608)	(606)
PROFIT BEFORE INCOME TAX	5,036	4,915	8,333
INCOME TAX EXPENSES	884	823	1,293
PROFIT FOR THE PERIOD	4,152	4,092	7,040
OTHER COMPREHENSIVE INCOME:			
Currency translation differences	209	230	(759)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,361	4,322	6,281
PROFIT FOR THE PERIOD ATTRIBUTED TO:			
Equity holders of the Company	4,188	4,084	7,057
Non controlling interest	(36)	8	(17)
	4,152	4,092	7,040
	U.S dollars		
EARNINGS PER SHARE:			
Attributable to the equity holders of the Company during the period:			
Basic	0.18	0.18	0.31
Diluted	0.18	0.18	0.31

AMIAD WATER SYSTEMS LTD.
(Amiad Filtration Systems Ltd. formerly)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

	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 earnings	Total		
	U.S dollars in thousands								
BALANCE AT JANUARY 1, 2012 (audited)	22,590,690	2,789	24,692	(20)	(180)	22,383	49,664	96	49,760
CHANGES DURING THE SIX MONTHS ENDED JUNE 30, 2012 (unaudited):									
Comprehensive income -									
Profit for the year						4,188	4,188	(36)	4,152
Other comprehensive income -									
Currency translation differences				209			209	(1)	208
Total comprehensive income				209		4,188	4,397	(37)	4,360
Transaction with owners:									
Dividend (\$0.055 per share)						(1,242)	(1,242)		(1,242)
Exercise of options of employees	72,691	9	102				111		111
Total transactions with owners	72,691	9	102			(1,242)	(1,131)		(1,131)
BALANCE AT JUNE 30, 2012 (unaudited)	22,663,651	2,798	24,794	189	(180)	25,329	52,930	59	52,989
BALANCE AT JANUARY 1, 2011 (audited)	22,521,690	2,780	24,467	708		17,743	45,698	290	45,988
CHANGES DURING THE SIX MONTHS ENDED JUNE 30, 2011 (unaudited):									
Comprehensive income -									
Profit for the year						4,084	4,084	8	4,092
Other comprehensive income -									
Currency translation differences				232			232	(2)	230
Total comprehensive income				232		4,084	4,316	6	4,322
Transaction with owners:									
Dividend (\$ 0.058 per share)						(1,310)	(1,310)		(1,310)
Acquisition of non-controlling interest	69,000	9	225	9	(180)		63	(155)	(92)
Total transactions with owners	69,000	9	225	9	(180)	(1,310)	(1,247)	(155)	(1,402)
BALANCE AT JUNE 30, 2011 (unaudited)	22,590,690	2,789	24,692	949	(180)	20,517	48,767	141	48,908

AMIAD WATER SYSTEMS LTD.
(Amiad Filtration Systems Ltd. formerly)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

Attributable to equity holders of the Company

	Number of shares	Share capital	Capital reserve	Currency translation reserve	Transaction with non- controlling interest	Retained earnings	Total	Non- controlling interest	Total shareholders' equity
	U.S dollars in thousands								
Balance at 1 January 2011	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.

(Amiad Filtration Systems Ltd. formerly)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

	Six months ended		Year ended
	June 30		December 31,
	2012	2011	2011
	(Unaudited)		(Audited)
	U.S dollars in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations	2,276	5,037	6,421
Interest paid	(516)	(479)	(903)
Interest received	250	168	289
Income tax paid	(528)	(1,757)	(3,942)
Net cash generated from operating activities	<u>1,482</u>	<u>2,969</u>	<u>1,865</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(1,767)	(1,544)	(3,980)
Purchases of intangible assets and capitalized development Expenses	(799)	(283)	(2,412)
Investments grants received	11		218
Sales of financial assets at fair value through profit or loss, net		1,933	1,933
Restricted deposit	(1,222)		259
Proceeds from sale of property and equipment	87	24	122
Collection of long-term loan granted to a related party	42	28	84
Long-term receivable		(42)	
Net cash generated from (used in) investing activities	<u>(3,648)</u>	<u>116</u>	<u>(3,776)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Acquisition of non controlling interest – Amiad France		(92)	(92)
Dividends paid to equity holders of the Company			(2,417)
Receipt of long-term borrowings and other liabilities	5,805	110	10,990
Repayments of long term borrowings	(3,093)	(2,378)	(4,995)
Proceeds from exercise of options	111		
Short-term borrowings (repayments) from banks, net	185	2,916	(868)
Net cash generated from financing activities	<u>3,008</u>	<u>556</u>	<u>2,618</u>
EXCHANGE LOSS (GAIN) ON CASH AND CASH EQUIVALENTS			
	43	71	(152)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	885	3,712	555
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,848	11,293	11,293
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>12,733</u>	<u>15,005</u>	<u>11,848</u>

CASH FLOWS FROM OPERATIONS:

	Six months ended		Year ended
	June 30		December 31,
	2012	2011	2011
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Profit for the period	4,152	4,092	7,040
(a) Adjustments to reconcile net income to net cash generated from operating activities:			
Income and expenses not involving cash flows:			
Depreciation and amortization	1,737	1,537	3,138
Interest paid	516	479	903
Interest received	(250)	(168)	(289)
Income taxes paid	528	1,757	3,942
Increase in put option	184	159	333
Deferred income taxes, net	(241)	(429)	(567)
Accrued severance pay, net	120	13	278
Exchange rate differences on borrowings	4	62	(126)
Loss (gain) from sale of fixed assets	54	3	(5)
Loss (gain) from financial assets at fair value through profit	22	(56)	902
Exchange rate differences on borrowings to related party and others	15	(27)	46
	<u>2,689</u>	<u>3,330</u>	<u>8,555</u>
Changes in working capital:			
Decrease (increase) in accounts receivable:			
Trade	(4,322)	(3,791)	(4,708)
Other	1,029	(1,963)	(2,807)
Decrease (increase) in prepaid expenses	24		(93)
Decrease (increase) in long-term receivable	142		(60)
Increase (Decrease) in accounts payable:			
Trade	(3,853)	6,713	6,413
Other	751	(382)	(1,171)
Decrease (increase) in inventories	1,664	(2,962)	(6,748)
	<u>(4,565)</u>	<u>(2,385)</u>	<u>(9,174)</u>
Cash generated from operations	<u>2,276</u>	<u>5,037</u>	<u>6,421</u>