

2 November 2010

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

Amiad acquires Chinese subsidiary

Amiad, the producer and global supplier of water filters and filtration systems for the industrial, municipal and irrigation markets, is pleased to announce that it has entered into an agreement, through its subsidiary in Singapore, to acquire the remaining 50 per cent. of the issued share capital of its Chinese subsidiary, Yixing Taixing Environtec Co Ltd (“Taixing”), from its local partners led by Mr. Pu-Long Hsu. As consideration for the shares, Amiad will pay upon the completion of the acquisition (“Completion”) \$3.1 million in cash to the current shareholders of Taixing, funding the acquisition from its current banking facilities. Completion is conditional on obtaining the required Chinese regulatory approvals. The conditions to Completion are expected to be satisfied by the end of this year.

This acquisition supports Amiad’s strategy of long-term investment in China, which the Company has targeted as a growth market. Amiad began its operations in China in 1992 when it entered into a distributorship agreement with Taixing. In July 2005, through its subsidiary in Singapore, the Company increased its stake in Taixing to 50 per cent. On Completion, Amiad’s presence in China will comprise five regional offices with a workforce of 70 employees. Thereafter, the Company plans to widen its manufacturing facilities in China, and increase significantly its sales and marketing. By transferring some of its production from Israel to China, Amiad should be able to reduce costs and time-to-market. Taixing’s current owners and management team, led by Deputy Chairman, Mr. Bolong Hsu, will remain in place.

As stated in the Company’s interim results announcement of 15 September 2010, Amiad has seen signs of returning investment in China in the steel industry as well as the municipal segment in the second half of the year. In addition, the Company is experiencing an increase in Arkal’s activity in China in the industrial and irrigation segments, which is contributing to the consolidated growth. With an expanded sales and marketing force and local manufacturing capabilities, Amiad is well-positioned to capitalise on this returning investment in China.

Arik Dayan, Chief Executive Officer of Amiad, said: “This acquisition forms part of our long-term strategy to acquire positions in companies that provide additional technologies or enable Amiad to enter into new territories – as demonstrated by our acquisitions in Turkey in 2008 and India in 2009, and the establishment of a subsidiary in Chile this year. Our goal is to become a leading global water filtration solution provider that can address the needs of customers in multiple markets worldwide. This acquisition is an important step in that direction and, with signs of returning growth in China, one that we hope will help us deliver shareholder value.”

Enquiries:

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