

10 September 2015

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



## Interim Results

Amiad (AIM: AFS), a leading global producer of water treatment and filtration solutions, announces its interim results for the six months ended 30 June 2015.

### Financial Summary

- Revenue was \$59.2m (H1 2014: \$60.2m)
- Gross margin was 40.1% (H1 2014: 39.4%)
- Operating profit increased 88% to \$3.9m (H1 2014: \$2.1m)
- Profit before tax more than doubled to \$3.5m (H1 2014: \$1.7m)
- Fully diluted earnings per share increased 33% to \$0.065 (H1 2014: \$0.049)
- Net debt reduced to \$18.2m (31 December 2014: \$21.3m; 30 June 2014: \$19.7m)
- Cash and cash equivalents at 30 June 2015 were \$14.5m (31 December 2014: \$14.1m; 30 June 2014: \$14.7m)

### Operational Summary

- Growth in the Irrigation and Oil & Gas segments mitigated weakness in the Industrial and Municipal segments – resulting in sales being broadly flat
  - Irrigation segment sales increased to \$30.5m (H1 2014: \$27.7m), and continued to be the largest contributor to total revenues accounting for 52% of total revenue
  - Sales in the Oil & Gas segment increased 74% to \$4.7m (H1 2014: \$2.7m)
  - Industrial segment sales declined due to weakness in industry in most geographies, in particular China
  - Municipal segment continued to suffer from lack of investment in major infrastructure projects by local authorities
  - Ballast Water segment still depressed due to lack of regulatory impetus
- Growth in sales of new products maintained, accounting for 9.8% of revenues (H1 2014: 5.5%)
- Completed implementation of restructuring and cost cutting exercise, resulting in reduction in expenses
- Post period end, established a subsidiary in the UK to support increasing demand for clean water solutions in UK and Europe

Arik Dayan, Chief Executive Officer of Amiad, said: "We are pleased with the significant growth in the Irrigation and Oil & Gas segments – based on our latest products – which largely served to mitigate the weakness in the Industrial and Municipal segments. In addition, thanks to the implementation of the restructuring and cost cutting exercise, we were able to improve gross margins, reduce operational expenses and strengthen the foundations of the business. As a result, we achieved our goal of getting back to being profitable.

"Amiad entered the second half of 2015 with a higher backlog than at the same time in the prior year, which is primarily based on the continued growth in Irrigation and Oil & Gas. Global macro-economic conditions continue to impact certain parts of our business, particularly Industrial and Municipal segments, however, our broad portfolio and presence in over 80 countries buffer us from major fluctuations. As we have said previously, our focus in 2015 is on generating profits through expanding our business and maintaining tight cost control. As a result, the Board is confident of achieving year-end results in line with market expectations."

## 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 11 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**

During the period, Amiad made significant progress in the Irrigation and Oil & Gas segments – based largely on its new Omega and Sigma products – but this was mitigated by a slowdown in the Industrial, Municipal and Ballast Water segments. As a result, total revenues were broadly flat at \$59.2m (H1 2014: \$60.2m). However, due to the restructuring and cost cutting exercise that the Company commenced in November 2014 and completed during the period, the Company reduced expenses thereby achieving growth in operating profit – and enabling a return to profitability on pre-tax and net basis.

### ***Segment Performance***

The Irrigation and Industrial segments generated \$30.5m and \$19.0m respectively during the period (H1 2014: \$27.7m and \$22.9m), accounting for 52% and 32% of the Company's revenues (H1 2014: 46% and 38%). The decline in the Industrial segment was mainly due to weakness in China compared with the prior year. The Municipal segment sales decreased to \$4.8m (8%) from \$6.1m in H1 2014 due to a lack of investment by municipal entities in large infrastructure projects. Revenue in the Oil & Gas segment grew to \$4.7m, or 8% of total sales, from \$2.7m (5%) in the first half of 2014. The Ballast Water segment remained weak with revenues of \$0.1m (H1 2014: \$0.8m) due to the continued lack of regulatory impetus for ship owners to invest in new systems.

### ***Global Activity***

#### ***US***

In the US in H1 2014, Amiad had been delivering an exceptional Navy project, which finished in H2 2014. As a consequence, in H1 2015 the Company experienced a decline in revenues in the Industrial segment and this resulted in overall sales in the US being lower at \$12.3m compared with \$15.2m in the first half of 2014. Sales in the Irrigation segment in the US were slightly higher than in H1 2014, which was based on increasing demand for water filtration as a result of the widespread drought in California. Whilst sales in the Oil & Gas segment were lower than in the prior period, the Company delivered some strategic projects such as for injection water.

#### ***EMEA***

Revenues in EMEA grew 10% in aggregate over H1 2014. Sales in the Irrigation segment in Europe increased significantly as a result of the Irrigation sales office that was established last year in the region. Amiad also performed well in the Oil & Gas segment in EMEA.

Post period, as announced on 7 September 2015, Amiad established a wholly-owned subsidiary in the UK to support the increasing demand for clean water solutions in the UK and Europe. It will operate from Swansea, Wales and, when the office opens later this month, will be the Company's first permanent base in the UK. Previously, Amiad's products and solutions were sold through its distributor based in Swansea. The new subsidiary, Amiad Water Systems UK Ltd, will report to Amiad Europe, and provide marketing and technical support functions.

#### ***Asia***

In Asia, revenues were slightly softer compared with the prior year period, with a general decline in the Industrial segment being largely offset by an exceptional Industrial project in India, an improvement in Irrigation in China for food production and growth in Oil & Gas in South East Asia.

In China, sales were significantly lower in the Industrial segment due to a lack of activity in the steel industry. In the Company's other segments in China, the Company achieved an increase in revenues, but the contribution (other than Irrigation) remains unsubstantial. Amiad also strengthened the management team in China. Amiad continues to believe that the longer-term growth opportunities offered by China remain substantial.

## *Australia*

The Industrial segment continued to suffer in Australia 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. However, sales increased in the Irrigation and Municipal segments, resulting in overall revenues for the period being slightly lower than the first half of 2014. The growth in the Irrigation segment was based on the new Omega and Sigma filters, with the demand being due to investment in upgrading irrigation systems used in food production to advanced, automatic solutions, which is being supported by public authorities.

## ***Product Development***

Amiad's portfolio of products launched in November 2011 continued to be well-received and increasingly penetrate the market. In particular, the growth in the Irrigation and Oil & Gas segments was based on sales of the Omega and Sigma products.

Investment in R&D was \$1.5m compared with \$1.8m for the first half of 2014. The reduction was due to the restructuring and cost cutting exercise. Following the appointment of a new Vice President of R&D during the period, the Company intends to increase spending on R&D to continue to develop market-leading technology and products.

## **Financial Review**

Revenues for the six months ended 30 June 2015 were \$59.2m compared with \$60.2m for the first half of 2014. The Company's revenue recognition continued to be impacted by adverse changes in exchange rates, mainly the US Dollar against the New Israeli Shekel, but also between the Australian and US Dollars as well as the Euro and US Dollar. However, despite revenues being broadly flat, fully diluted earnings per share increased 33% to \$0.065 (H1 2014: \$0.049).

Operating profit increased 88% to \$3.9m compared with \$2.1m for the first half of 2014, and profit before tax more than doubled to \$3.5m (H1 2014: \$1.7m). In addition, this represents a return to profit compared with the previous six months period: for the second half of 2014, the Company made a loss before tax of \$2.1m.

Gross margins were 40.1% (H1 2014: 39.4%). The increase was mainly due to the benefits of the cost cutting and restructuring programme as well as the impact of currency exchange rate.

As of 30 June 2015, cash and cash equivalents were \$14.5m (31 December 2014: \$14.1m; 30 June 2014: \$14.7m). Net debt decreased to \$18.2m (31 December 2014: \$21.3m; 30 June 2014: \$19.7m) as a result of the increase in the net cash generated from operating activities.

## **Dividend**

The Company has a progressive dividend policy and has historically paid dividends twice annually. However, the Board has resolved, from the current year, to consider and pay dividends once a year after the approval of the Company's audited annual financial statements. The Board expects to declare a dividend in March 2016 for the year ending 31 December 2015.

## **Outlook**

Amiad entered the second half of 2015 with a higher backlog than at the same time in the prior year, which is primarily based on the continued growth in the Irrigation segment. Global macro-economic conditions continue to impact certain parts of the business, particularly Industrial and Municipal segments, however, the Company's broad portfolio and presence in over 80 countries buffer it from major fluctuations. As stated previously, the management team's focus in 2015 is on generating profits through expanding the business

and maintaining tight cost control. As a result, the Board is confident of achieving year-end results that are in line with market expectations.

**AMIAD WATER SYSTEMS LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2015**

	<u>June 30</u>		<u>December 31,</u>
	<u>2015</u>	<u>2014</u>	<u>2014</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>U.S. dollars in thousands</u>		
<b>Assets</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	14,452	14,743	14,090
Financial assets at fair value through profit or loss	477	44	452
Trade and other receivables:			
Trade	47,824	46,916	44,091
Other	5,716	5,105	3,230
Current income tax assets	322	775	869
Inventories	24,702	26,097	23,729
<b>T o t a l Current Assets</b>	<u>93,493</u>	<u>93,680</u>	<u>86,461</u>
<b>NON-CURRENT ASSETS:</b>			
Investment in joint venture	10	10	10
Severance pay fund, net	49	254	105
Long-term receivables	55	46	48
Property, plant and equipment	10,913	11,094	11,184
Intangible assets	16,329	16,508	16,849
Deferred income tax assets	1,884	2,064	2,738
<b>T o t a l Non Current Assets</b>	<u>29,240</u>	<u>29,976</u>	<u>30,934</u>
<b>T o t a l Assets</b>	<u>122,733</u>	<u>123,656</u>	<u>117,395</u>

**AMIAD WATER SYSTEMS LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2015**

	<b>June 30</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
	<b>U.S. dollars in thousands</b>		
<b>Liabilities and equity</b>			
<b>CURRENT LIABILITIES:</b>			
Bank credit and current maturities of borrowings from banks	21,252	20,987	23,212
Financial liabilities at fair value through profit or loss – derivatives	95	86	1,066
Trade and other payable:			
Trade	18,262	18,956	15,064
Other	13,202	9,891	8,431
Put option liability	2,927	2,204	2,927
Current income tax liability	371	735	463
Dividend payable	-, -	499	-, -
T o t a l Current Liabilities	56,109	53,358	51,163
<b>NON-CURRENT LIABILITIES:</b>			
Borrowings from banks (net of current maturities)	11,404	13,444	12,205
Deferred income tax liabilities	227	-, -	823
Accrued severance pay, net	377	340	450
T o t a l Non Current Liabilities	12,008	13,784	13,478
T o t a l Liabilities	68,117	67,142	64,641
<b>EQUITY:</b>			
<b>Capital and reserves attributable to equity holders of the Company:</b>			
Share capital	2,798	2,798	2,798
Capital reserves	28,372	28,332	28,371
Currency translation reserve	(2,881)	(1,218)	(2,188)
Transaction with non-controlling interest	(180)	(180)	(180)
Retained earnings	26,373	26,830	23,944
	54,482	56,562	52,745
<b>Non-controlling interests</b>	134	(48)	9
<b>Total Equity</b>	54,616	56,514	52,754
<b>Total Liabilities and Equity</b>	122,733	123,656	117,395

**AMIAD WATER SYSTEMS LTD.**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015**

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 30</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
<b>U.S dollars in thousands</b>			
<b>except per share data</b>			
Revenue	59,167	60,217	118,471
Cost of sales	35,461	36,477	72,418
<b>Gross Profit</b>	<b>23,706</b>	<b>23,740</b>	<b>46,053</b>
Research and development, net	1,497	1,759	3,158
Selling and marketing costs	12,613	14,349	28,204
Administrative and general expenses	5,746	5,586	11,359
Other gains (losses)	85	52	(468)
<b>Operating Profit</b>	<b>3,935</b>	<b>2,098</b>	<b>2,864</b>
Finance income	887	275	137
Finance costs	(1,283)	(713)	(3,430)
<b>Finance costs, net</b>	<b>(396)</b>	<b>(438)</b>	<b>(3,293)</b>
<b>Profit (loss) before income taxes</b>	<b>3,539</b>	<b>1,660</b>	<b>(429)</b>
Income (expenses) tax	(984)	(452)	559
<b>Profit (loss) for the period</b>	<b>2,555</b>	<b>1,208</b>	<b>(988)</b>
<b>Other comprehensive income (loss)-</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Re-measurements of post-employment benefit obligations	-,-	-,-	(135)
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Currency translation differences	(694)	(197)	(773)
<b>Other comprehensive income (loss) for the period</b>	<b>(694)</b>	<b>(197)</b>	<b>(908)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>1,861</b>	<b>1,405</b>	<b>(1,896)</b>
<b>Profit (loss) attributable to:</b>			
Equity holders of the Company	2,429	1,247	(1,006)
Non controlling interests	126	(39)	18
	<b>2,555</b>	<b>1,208</b>	<b>(988)</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Equity holders of the Company	1,736	1,445	(1,913)
Non-controlling interest	125	(40)	17
	<b>1,861</b>	<b>1,405</b>	<b>(1,896)</b>
<b>U.S dollars</b>			
<b>Earnings (loss) per share attributable to the equity holders of the company during the period:</b>			
Basic	0.107	0.053	(0.044)
Diluted	0.065	0.049	(0.065)



**AMIAD WATER SYSTEMS LTD.**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015

	Attributable to owners of the parent						Non-controlling interest	Total equity	
	Number of shares	Share capital	Capital Reserve	Currency translation reserve	Transaction with Non-controlling Interest	Retained earning			Total
BALANCE AT JANUARY 1, 2015 (audited)	22,663,651	2,798	28,371	(2,188)	(180)	23,944	52,745	9	52,754
<b>CHANGES DURING THE SIX MONTH ENDED</b>									
<b>JUNE 30, 2015</b> (unaudited):									
<b>Comprehensive income -</b>									
Profit for the period						2,429	2,429	126	2,555
Currency translation differences				(693)			(693)	(1)	(694)
<b>Total comprehensive income</b>				(2,881)		26,373	54,481	134	54,615
<b>Transaction with owners:</b>									
Recognition of compensation related employee stock and option grants			1				1		1
<b>Total transactions with owners</b>									
<b>BALANCE AT JUNE 30, 2015 (unaudited)</b>	<u>22,663,651</u>	<u>2,798</u>	<u>28,372</u>	<u>(2,881)</u>	<u>(180)</u>	<u>26,373</u>	<u>54,482</u>	<u>134</u>	<u>54,616</u>
BALANCE AT JANUARY 1, 2014 (audited)	22,663,651	2,798	28,271	(1,416)	(180)	26,082	55,555	(8)	55,547
<b>CHANGES DURING THE SIX MONTH ENDED</b>									
<b>JUNE 30, 2014</b> (unaudited):									
<b>Comprehensive income -</b>									
Profit for the period						1,247	1,247	(39)	1,208
Currency translation differences				198			198	(1)	197
<b>Total comprehensive income</b>				198		1,247	1,445	(40)	1,405
<b>Transaction with owners:</b>									
Recognition of compensation related employee stock and option grants			61				61		61
Dividend (\$0.022 per share)						(499)	(499)		(499)
<b>Total transactions with owners</b>			61			(499)	(438)		(438)
<b>BALANCE AT JUNE 30, 2014 (unaudited)</b>	<u>22,663,651</u>	<u>2,798</u>	<u>28,332</u>	<u>(1,218)</u>	<u>(180)</u>	<u>26,830</u>	<u>56,562</u>	<u>(48)</u>	<u>56,514</u>

**AMIAD WATER SYSTEMS LTD.**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015 (contd.)

	Attributable to owners of the parent								
	Number of shares	Share capital	Capital reserve	Currency translation reserve	Transaction with non- Controlling Interest	Retained earning	Total	Non- controlling interest	Total equity
					U.S dollars in thousands				
<b>Balance at 1 January 2014</b>	22,663,651	2,798	28,271	(1,416)	(180)	26,082	55,555	(8)	55,547
<b>Comprehensive income -</b>									
Loss for the period						(1,006)	(1,006)	18	(988)
Currency translation differences				(772)			(772)	(1)	(773)
Remeasurement of net defined benefit liability						(135)	(135)		(135)
<b>Total comprehensive income</b>				(772)		(1,141)	(1,913)	17	(1,896)
<b>Transaction with owners:</b>									
Recognition of compensation related to employee stock and options grants			100				100		100
Dividend (\$0.106 per share)						(997)	(997)		(997)
<b>Total transaction with owners</b>			100			(997)	(897)		(897)
<b>Balance at 31 December 2014</b>	22,663,651	2,798	28,371	(2,188)	(180)	23,944	52,745	9	52,754

**AMIAD WATER SYSTEMS LTD.**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 30</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
<b>U.S dollars in thousands</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash generated from (used in) operations (see note 5)	4,770	(3,700)	(302)
Interest paid	(570)	(433)	(816)
Interest received	58	41	162
Income tax paid	(7)	(842)	(2,576)
Net cash generated from (used in) operating activities	<u>4,251</u>	<u>(4,934)</u>	<u>(3,532)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	(898)	(838)	(2,581)
Purchase of intangible assets	(253)	(357)	(653)
Investments grants received	-,	-,	332
Restricted deposit	245	(48)	(266)
Proceeds from sale of property, plant and equipment	75	29	57
Collection of long-term loan to a related party	-,	40	40
Net cash used in investing activities	<u>(831)</u>	<u>(1,174)</u>	<u>(3,071)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Dividends paid to equity holders of the Company	-,	-,	(997)
Receipt of long-term borrowings	3,000	51	3,072
Payments of long term borrowings	(4,451)	(4,488)	(9,016)
Increase (decrease) in bank credit and short term borrowing, net	(1,252)	10,368	12,988
Net cash generated from (used in) financing activities	<u>(2,703)</u>	<u>5,931</u>	<u>6,047</u>
<b>EXCHANGE RATE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS</b>	<u>(355)</u>	<u>49</u>	<u>(255)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	362	(128)	(781)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>14,090</u>	<u>14,871</u>	<u>14,871</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>14,452</u>	<u>14,743</u>	<u>14,090</u>

## AMIAD WATER SYSTEMS LTD.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### NOTE 1 - GENERAL INFORMATION

- a. Amiad Water Systems Ltd. (hereafter –"the Company") and its subsidiaries (together- the Group) is a producer and global supplier of water filters and filtration systems used in the industrial, municipal market and the irrigation market.
- b. The Company was incorporated in Israel in June 1997. The address of its registered office is Kibbutz Amiad, Israel.  
The Company has traded on the Alternative Investment Market in London (AIM), a part of the London Stock Exchange, since December 2005.  
The principal shareholders of the Company, as of the report release date, are Kibbutz Amiad (hereafter -The "Kibbutz"), directly and through a Company controlled by the Kibbutz, A.M.S.I. Investments Ltd. ("AMSI") which owns 45.49% of the Company's outstanding shares.

The Kibbutz and AMSI are engaged in a shareholders agreement with Kibbutz Beit Zera Cooperative Agricultural Society Ltd. and two cooperatives held by Beit Zera (hereinafter – "Beit Zera") which owns 4.5% of the Company's outstanding shares and with Bermad Industries Cooperative Agricultural Society Ltd. (hereinafter – "Bermad") which owns 8.99% of the Company's outstanding shares. The agreement was signed upon Beit Zera and Bermad becoming shareholders in the Company pursuant to the acquisition of Arkal Filtration systems Cooperative Agricultural Society Ltd. Pursuant to the shareholders agreement the parties thereto shall vote their shares together at all meeting of the shareholder of the Company, as shall be agreed among them or in the absence of an agreement as shall be decided by the Kibbutz. In addition, the shareholder agreement imposes on Beit Zera and Bermad certain limitations on the transferability of shares of the Company they received pursuant to the acquisition of Arkal Filtration systems Cooperative Agricultural Society Ltd.

These group consolidated financial statements were authorized for issue by board of directors on September 9, 2015.

## AMIAD WATER SYSTEMS LTD.

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### NOTE 2 - BASIS OF PREPARATION

- a. These condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRSs.

This condensed consolidated interim financial information is reviewed and not audited.

- b. Estimates –

The preparation of interim financial statements requires management to exercise its judgment; it also requires the use of accounting estimates and assumptions that affect the application of the group's accounting policy and the amounts of reported assets, liabilities, income and expenses. Actual results may differ from those estimates.

In preparation of these condensed consolidated interim financial statements, the significant judgments that were exercised by the management in applying the group's accounting policy and the key sources of estimation uncertainty were similar to those applied in the consolidated annual financial statements for the year ended December 31, 2014.

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies and computation methods used in preparing the interim financial information are consistent with those used in preparing the 2014 annual financial statements, except for the following:

#### NOTE 4 - REVENUES FROM SALES:

Sales by customer location:

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 30,</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>U.S. dollars in thousands</b>		
EMEA	21,938	22,577	40,904
Americas	19,830	20,157	40,688
APAS	17,399	17,483	36,879
Total	<u>59,167</u>	<u>60,217</u>	<u>118,471</u>

**AMIAD WATER SYSTEMS LTD.**  
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**NOTE 5 - CASH FLOWS FROM OPERATIONS:**

**APPENDIX A:**

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 30</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>U.S. dollars in thousands</b>		
Profit (loss) for the period	2,555	1,208	(988)
<b>(a) Adjustments to reconcile net income to net cash generated from operating activities:</b>			
Depreciation and amortization	1,707	1,873	3,690
Interest paid	570	433	816
Interest received	(58)	(41)	(162)
Income tax paid	7	842	2,576
Share in loss of joint venture	-,	(60)*	(60)
Decrease (Increase) in deferred income taxes, net	256	(331)	(217)
Accrued severance pay, net	18	(44)	127
Exchange rate differences on borrowings	133	(43)	(133)
Loss (profit) from sale of property, plant and equipment	(83)	4	(2)
Decrease (increase) in assets at fair value through profit or loss	(996)	459	1,031
Share based payment	1	61	100
Exchange rate differences on borrowings to related party and others	-,	-,*	-,
	<u>4110</u>	<u>4,361</u>	<u>7,766</u>
<b>Changes in working capital:</b>			
Decrease (increase) in accounts receivable:			
Trade	(4,562)	(5,297)	(3,604)
Other	(2,400)	(1,924)	(118)
Decrease (increase) in prepaid expenses	(9)	-,	-,
Decrease in long-term receivable	1	(10)	(13)
Increase (Decrease) in accounts payable:			
Trade	3,941	(848)	(3,579)
Other	4,944	645	(893)
Decrease (increase) in inventories	(1,255)	(627)	1,127
	<u>660</u>	<u>(8,061)</u>	<u>(7,080)</u>
Cash generated from (used in) operations	<u>4,770</u>	<u>(3,700)</u>	<u>(302)</u>

\* Classification

**AMIAD WATER SYSTEMS LTD.**  
 NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**NOTE 5 - CASH FLOWS FROM OPERATIONS (continued):**  
**APPENDIX B:**

	<b>Six months ended 30 June</b>		<b>Year ended 31 December</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>U.S. dollars in thousands</b>		
<b>Supplementary information on investing and financing activities not involving cash flows -</b>			
Dividend	-,-	(499)	-,-