

21 September 2009

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



Results for the six months to 30 June 2009

Amiad, the producer and global supplier of water filters and filtration systems for the industrial, municipal and irrigation markets, announces its interim results for the six months to 30 June 2009.

Financial Highlights

- Revenue was \$36.8m (H2 2008: \$33.8m) (H1 2008: US\$39.5m)
- Operating profit was \$5.1m (H2 2008: \$1.6m) (H1 2008: US\$6.1m)
- Profits before tax was US\$5.7m (H2 2008: \$1.3) (H1 2008: US\$5.4m)
- Gross margins at 47% (H1 2008: 49%)
- Fully diluted earnings per share was 19 US \$cents (H1 2008: 20.1 cents)
- Interim dividend of 3.5 US\$ cents (gross) per share (H1 2008: 3.5 US\$ cents (gross) per share)
- Cash and cash equivalents at 30 June 2009 of US\$7.3m (31 December 2008 \$6.5m)

Operational Highlights

- Return of demand for large industrial and municipal water filtration projects globally
- Increased sales in new and growing geographies of Chile, India and Turkey
- Continued penetration into new territories
- Improved efficiency and streamlined operations
- Strategic infrastructure and activities implemented
- New management in place

Commenting on the results, Arik Dayan, Chief Executive Officer of Amiad, said: “We are pleased to report strong sequential growth in the first half compared with second half last year indicating a sustained return of investment in water infrastructure projects, particularly in the municipal and industrial segments. In the second half of 2008, Amiad focussed on improving its operational efficiency and enhancing its presence strategically in growth markets as market conditions worsened due to the downturn of global economic conditions. As a result, it was able to capitalise as organisations started to re-invest in large scale projects.

Looking ahead, Amiad continues to tightly manage costs. With the current pipeline of orders and the demand for Amiad’s products set to continue in new territories as well as its established markets, the Board expects to report full year results which are in line with market expectations.”

Enquiries:

Amiad Filtration Systems Ltd.	
Arik Dayan, Chief Executive Officer Rivka Kalmanzon, Chief Financial Officer	+972 (0) 4 690 9500
Corfin Communications	
Harry Chathli, Victoria Ward	+ 44 (0) 20 7977 0020

Operational Review

Revenues for the first half of 2009 increased 9% sequentially to \$36.8m from the second half of 2008, however these were down compared with the same period last year (H1 2008: \$39.5m). This decrease in revenue was mainly due to the lag in recovery in the irrigation segment and the overall market slowdown in certain key territories.

However, the beginning of 2009 saw a return in investment in infrastructure projects, particularly in the industrial and municipal segment in most of the Company's key markets. Since October 2008 there has been a shift in the mix between the industrial and municipal and the irrigation segment. At present, the industrial and municipal segment accounts for 65% of company revenue and is expected to continue to be the largest contributor.

Specifically, in the industrial and municipal segment, Europe saw heightened activity through the Turkish company that Amiad acquired in 2008, as it delivered large projects in the region as well as other countries such as India. One of the large projects in Turkey, accounting for over Euro 1m of company revenue, was to deliver its products to a new power plant in India. Also, the Company saw increased delivery into Western Europe with projects for the municipal and the oil and gas industries.

In Asia, the Company had targeted India as its main growth area in 2009. The Company performed well here in the period and secured its first large project in the municipal segment for its automatic self cleaning filters and AMF technology for drinking water. This project accounted for over \$680,000 of company revenue. With industrial growth set to continue in India, and increased interest for Amiad's products in the irrigation market coming through, the Company remains very optimistic and focussed about its efforts in the region. The Company is actively looking to increase its presence in the area and will consider options available to it to ensure further significant inroads can be made in order for Amiad to continue to capitalise on the increased investment in water infrastructure in the country.

Additionally in Asia, in Singapore the Company secured three large projects in the municipal segment which were delivered and executed in the Philippines. These projects were for use of the AMF technology to produce drinking water. Furthermore, in the Malaysian oil industry, the Company won a large project for their AMF technology and for cooling water which was based on the screen technology. Elsewhere in Asia, as anticipated, the industrial markets in China saw a decline as the steel and petrochemical industries suffered the effects of the global downturn. However, the growth in other parts of Asia largely mitigated this decline.

In South America, Amiad continues to perform well. In Chile, the Company built on its successes to date within the mining industry and secured two projects for cooling water for a large engineering group. The ongoing growth in Chile consolidates the relationship with the Company's industrial and municipal distributor which was started at the end of 2007 and sets the tone for further expansion in the region. For example, in Brazil the Company embarked on a project with a large oil producer in Brazil for over \$400,000. With growth in South America set to continue as economic development in the region progresses, Amiad is also exploring opportunities for enhancing its presence in the region.

Although the Company is seeing a general increase in interest levels coming through in the irrigation segment, and a return to growth in Africa, Amiad continues to see a lag in return to investment in this segment. The irrigation segment is impacted by seasonal factors and farming cycles. The Company has been making inroads into new territories and is well placed to capitalise should there be renewed investment in this segment.

Financial review

Revenues for the first half of 2009 increased 9% sequentially to \$36.8m from the second half of 2008, however these were slightly down compared with the same period last year (H1 2008: \$39.5m). Fully diluted earnings per share decreased by 5% to 19 US \$cents (H1 2008: 20.1 cents).

Operating profit increased by 210% sequentially to \$5.1m compared to \$1.6m in H2 2008 (H1 2008: US\$6.1m) and profit before tax increased over threefold sequentially to US\$5.7m (from H2 2008: \$1.3) (H1 2008: US \$6.1m).

Gross margins increased by 10% sequentially to \$17.4m compared to \$14.6m in H2 2008 (H1 2008: US\$19.2m).

Operating profit decreased by 33% sequentially to \$5.1m compared to H2 2008: \$7.7m (and decreased 16% from H1 2008: \$6.1m).

Cash and cash equivalents in the bank was US\$7.3m at the end of the period compared with H2 2008 \$6.5m and \$6.5m in H1 2008, reflecting the increase in organic and strategic growth.

Dividend

The Directors have decided to declare a dividend out of the Company's profits for the six months ended 30 June 2009 of 3.5 US\$ cents (gross) per share (H1 2008: US \$cents 3.5 (gross) per share), with an ex dividend date of 7 October 2009, a record date of 9 October 2009 and a payment date of 13 November 2009.

Management

Arik Dayan was promoted to the position of CEO of the Company in March 2009. Since his appointment Arik has been focussing on cash flow and expense management. Arik has been working at Amiad since 1997 and has a unique understanding of the business and operations through the insight and experience which he has acquired during his time at the Company.

Ms. Rivka Kalmanzon was appointed as CFO in August 2009. Ms. Kalmanzon has senior management experience in one of the "big 5" CPA firms in Israel, handling a broad spectrum of financial activities. Prior to joining Amiad she served as CFO of several hi-tech, bio-tech and manufacturing companies in Israel and abroad, all of which have several overseas operations.

Outlook

The Company continues to tightly manage costs and is focussed on managing suppliers, inventories and overheads efficiently. As a response to slowdown in global macro economic conditions it is forming local alliances and strategically increasing its presence in territories that are expected to invest heavily in water infrastructure projects.

Looking ahead to second half of 2009, whilst the irrigation market remains unstable, the demand for Amiad's products is set to continue in new territories as well as its established markets in the municipal and industrial segments. As a result, the Board expects to report full year results which are in line with market expectations.

AMIAD FILTRATION SYSTEMS LTD.
CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 2009

	June 30,		December 31,
	2009	2008	2008
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	6,266	6,544	6,509
Short term deposit	1,000		
Financial assets at fair value through profit or loss	295	106	527
Accounts receivable and accruals:			
Trade	21,133	24,229	17,864
Other	1,702	1,921	1,996
Inventories	17,100	16,464	19,616
Income tax assets	1,824	1,420	2,233
T o t a l c u r r e n t a s s e t s	49,320	50,684	48,745
NON-CURRENT ASSETS:			
Loan to a related party	651	778	697
Severance pay fund	135		
Long-term receivables	164	151	109
Property and equipment	3,714	3,528	3,855
Intangible assets	6,652	3,854	6,835
Deferred income tax assets	1,357	*930	1,583
T o t a l n o n - c u r r e n t a s s e t s	12,673	9,241	13,079
T o t a l a s s e t s	61,993	59,925	61,824

*Reclassified

Tal Yeshua
Chairman of the Board

Arik Dayan
CEO

Ricki Kalmanzon
CFO

Date of approval of the interim financial information by the Company's Board of Directors: September 13, 2009

AMIAD FILTRATION SYSTEMS LTD.
CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 2009

	<u>June 30,</u>		<u>December 31,</u>
	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>U.S. dollars in thousands</u>		
Liabilities and equity			
CURRENT LIABILITIES:			
Short-term credit and borrowings from banks	11,403	13,255	10,903
Accounts payable and accruals:			
Trade	8,176	11,361	12,728
Other	7,024	6,680	7,247
Current income tax liability	1,930	387	106
T o t a l current liabilities	<u>28,533</u>	<u>31,683</u>	<u>30,984</u>
NON-CURRENT LIABILITIES:			
Borrowings from banks and others (net of current maturities)	1,926	1,455	2,440
Put option liability	1,801		1,679
Severance pay obligations		24	42
T o t a l non-current liabilities	<u>3,727</u>	<u>1,479</u>	<u>4,161</u>
T o t a l liabilities	<u>32,260</u>	<u>33,162</u>	<u>35,145</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital	2,342	2,334	2,342
Capital reserves	13,305	13,401	13,305
Currency translation reserve	(37)	624	(269)
Retained earnings	14,049	10,341	11,224
	<u>29,659</u>	<u>26,700</u>	<u>26,602</u>
MINORITY INTEREST	74	63	77
T o t a l equity	<u>29,733</u>	<u>26,763</u>	<u>26,679</u>
T o t a l liabilities and equity	<u>61,993</u>	<u>59,925</u>	<u>61,824</u>

The attached notes are an integral part of this condensed consolidated interim financial information.

AMIAD FILTRATION SYSTEMS LTD.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

	Six months ended June 30,		Year ended December 31,
	2009	2008	2008
	(Unaudited)		(Audited)
	U.S dollars in thousands except per share data		
REVENUE	36,839	39,473	73,277
COST OF SALES	19,402	20,218	39,420
GROSS PROFIT	17,437	19,255	33,857
SELLING AND MARKETING COSTS	8,365	*9,681	18,068
ADMINISTRATIVE AND GENERAL EXPENSES	3,941	*3,523	8,089
OTHER LOSSES (INCOME) NET	51	(3)	9
OPERATING PROFIT	5,080	6,054	7,691
FINANCE INCOME	1,478	*209	517
FINANCE COSTS	(819)	*(883)	(1,541)
FINANCE INCOME (COST), NET	659	(674)	(1,024)
PROFIT BEFORE INCOME TAX	5,739	5,380	6,667
INCOME TAX EXPENSES	2,091	1,493	1,388
PROFIT FOR THE PERIOD	3,648	3,887	5,279
ATTRIBUTED TO:			
Equity holders of the Company	3,652	3,871	5,244
Minority interest	(4)	16	35
	3,648	3,887	5,279
	U.S dollars		
EARNINGS PER SHARE			
Attributable to the equity holders of the Company during the period (see note 4b):			
Basic	0.190	0.203	0.274
Diluted	0.190	0.201	0.272

*Reclassified

The attached notes are an integral part of this condensed consolidated interim financial information.

AMIAD FILTRATION SYSTEMS LTD.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

	<u>Six months ended</u>		<u>Year ended</u>
	<u>June 30,</u>		<u>December 31,</u>
	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>U.S dollars in thousands</u>		
Profit for the period	3,648	3,887	5,279
Other comprehensive income			
Currency translation differences	<u>233</u>	<u>272</u>	<u>(626)</u>
Total comprehensive income for the period	<u>3,881</u>	<u>4,159</u>	<u>4,653</u>
Total comprehensive income attributable to:			
Equity holders of the Company	3,884	4,135	4,615
Minority interest	<u>(3)</u>	<u>24</u>	<u>38</u>
Total	<u>3,881</u>	<u>4,159</u>	<u>4,653</u>

The attached notes are an integral part of this condensed consolidated interim financial information.

AMIAD FILTRATION SYSTEMS LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

	Attributable to equity holders of the Company						Total shareholders equity	
	Number of shares	Share capital	Capital reserve	Currency translation reserve		Minority interest		
				Retained earnings	Total			
	U.S dollars in thousands							
BALANCE AT JANUARY 1, 2009 (audited)	19,237,531	2,342	13,305	(269)	11,224	26,602	77	26,679
CHANGES DURING THE SIX MONTH ENDED JUNE 30, 2009 (unaudited):								
Comprehensive income for the period				232	3,652	3,884	(3)	3,881
Dividend (\$ 0.043 per share)				(37)	(827)	(827)		(827)
BALANCE AT JUNE 30, 2009 (unaudited)	19,237,531	2,342	13,305		14,049	29,659	74	29,733
BALANCE AT JANUARY 1, 2008 (audited)	18,872,723	2,291	12,797	360	7,559	23,007	39	23,046
CHANGES DURING THE SIX MONTH ENDED JUNE 30, 2008 (unaudited):								
Comprehensive income for the period	-	-	-	264	3,871	4,135	24	4,159
Share-based payment - value of employee services	-	-	-	4	4	4	-	4
Exercise of options of employees	310,085	43	604	-	(172)	475	-	475
Dividend (\$ 0.048 per share)	-	-	-	-	(921)	(921)	-	(921)
BALANCE AT JUNE 30, 2008 (unaudited)	19,182,808	2,334	13,401	624	10,341	26,700	63	26,763
BALANCE AT JANUARY 1, 2008 (audited)	18,872,723	2,291	12,797	360	7,559	23,007	39	23,046
CHANGES DURING THE YEAR ENDED 31 DECEMBER 2008 (audited):								
Comprehensive income for the period				(629)	5,244	4,615	38	4,653
Share-based payment - value of employee services					13	13		13
Exercise of options by employees	364,808	51	508		(1,592)	559		559
Dividend (\$ 0.083 per share)				(269)	11,224	(1,592)		(1,592)
BALANCE AT DECEMBER 31, 2008 (audited)	19,237,531	2,342	13,305		11,224	26,602	77	26,679

The attached notes are an integral part of this condensed consolidated interim financial information.

AMIAD FILTRATION SYSTEMS LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009

	<u>Six months ended June 30,</u>		<u>Year ended December 31,</u>
	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>(Unaudited)</u>		<u>(Audited)</u>
	<u>U.S dollars in thousands</u>		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations (see note 8)	3,189	86	7,134
Interest paid	(283)	(450)	(747)
Income tax paid	(983)	(1,580)	(3,616)
Net cash generated from (used in) operating activities	<u>1,923</u>	<u>(1,944)</u>	<u>2,771</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of subsidiary			(1,520)
Purchases of property and equipment	(356)	(904)	(1,846)
Purchases of intangible assets	(213)	(243)	(545)
Investments grants received		29	29
Investment in financial assets at fair value through profit or loss, net		2,012	2,012
Investment in short-term deposit	(1,000)		
Proceeds from sale of property and equipment	125	58	112
Long-term loan granted to others, net		7	(43)
Collection of long-term loan granted to a related party	(31)	28	104
Net cash generated from (used in) investing activities	<u>(1,475)</u>	<u>987</u>	<u>(1,697)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Exercise of options by employees		475	559
Dividends paid to equity holders of the Company	(827)	(921)	(1,592)
Receipt of long-term borrowings and other liabilities	17		1,786
Repayments of long term borrowings	(817)	(939)	(1,816)
Short-term borrowings from banks, net	794	4,713	2,554
Net cash generated from (used in) financing activities	<u>(833)</u>	<u>3,328</u>	<u>1,491</u>
EXCHANGE LOSS (GAIN) ON CASH AND CASH EQUIVALENTS	<u>142</u>	<u>113</u>	<u>(116)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(243)</u>	<u>2,484</u>	<u>2,449</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,509</u>	<u>4,060</u>	<u>4,060</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>6,266</u></u>	<u><u>6,544</u></u>	<u><u>6,509</u></u>

The attached notes are an integral part of this condensed consolidated interim financial information.

AMIAD FILTRATION SYSTEMS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION:

Amiad Filtration 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.

The Company was incorporated in Israel in June 1997. The address of its registered office is Kibbutz Amiad, Israel.

The Company is traded on the Alternative Investment Market in London (AIM), a part of the London Stock Exchange, since December 2005.

NOTE 2 - BASIS OF PREPERATION

This condensed consolidated interim financial information of June 30, 2009 and for the six month periods then ended (hereafter - the interim financial information) have been prepared in condensed form in accordance with IAS 34 - "Interim Financial Reporting".

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31 2008, which have been prepared in accordance with IFRS.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2009:

- a) IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The group has elected to present two performance statements (the income statement and statement of comprehensive income). The interim financial statements have been prepared under the revised disclosure requirements.

The amendment to International Accounting Standard No. 1 (as amended), 'Presentation of Financial Statements' ("the amendment to IAS 1R"), entered into force on January 1, 2009.

AMIAD FILTRATION SYSTEMS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The amendment to IAS 1R explains that only some, and not all, financial assets and liabilities classified as 'held for trading' under the provisions of International Accounting Standard No. 39, 'Financial Instruments – Recognition and Measurement' ("IAS 39") can be regarded as examples of assets and liabilities classified as current.

The application of the provisions of the above amendment is not expected to affect the Group's financial statements to any significant degree.

- b)** IFRS 8, 'Operating segments' (effective from January 1, 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group is apply IFRS 8 from 1 January 2009. The standard has no material impact on the segment reporting of the Company.
- c)** The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:
- IFRIC 13, 'Customer loyalty programmes';
 - IFRS 2 (amendment), 'Share-based payment';
 - IAS 36 (Amendment), 'Impairment of assets';
 - IAS 38 (Amendment), 'Intangible assets';
 - IAS 19 (Amendment), 'Employee benefits';
 - IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

NOTE 4 - SHAREOLDERS' EQUITY:

- a.** On 1 April, 2009, the Company's Board of Directors resolved to distribute dividends to its shareholders in the amount of \$827 thousand (\$0.043 per share).

On 13 September, 2009, the Company's Board of Directors resolved to distribute dividends to its shareholders in the amount of \$672 thousand (\$0.035 per share).

AMIAD FILTRATION SYSTEMS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 4 - SHAREOLDERS' EQUITY (continued):

b. Earnings per share

Data regarding the earning per share

	Six months ended June 30,		Year ended December 31,
	2009	2008	2008
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Weighted average number of Ordinary shares outstanding (in thousands):			
Basic:			
Number of shares in the beginning of the period	19,238	18,873	18,873
Adjustments for exercise of options		196	260
Number of shares used for calculation of earnings per share -basic	19,238	19,069	19,133
Diluted:			
Number of shares used for calculation of earnings per share -basic	19,238	19,069	19,133
Adjustments for share options	17	155	129
Number of shares used for calculation of earnings per share -diluted	19,255	19,224	19,262
Net income attributable to equity holders of the Company	3,652	3,871	5,244
Basic earnings per share (in U.S. dollars)	0.190	0.203	0.274
Diluted earnings per share (in U.S. dollars)	0.190	0.201	0.272

NOTE 5 - EMPLOYEE INCNTIVE PLAN

During 2009, the board of directors approved a Bonus Scheme which will be available to the Company's employees and Management.

The bonus scheme will be in operation in relation to financial year ending 31 December 2009. The level of bonus payable will be depended on the achievement of targets as set out in the Bonus Scheme.

Any bonus shall be paid following Board's approval of the 2009 financial statement in March 2010. Eligibility to receive the Bonus is contingent upon employment by the Company for the whole of the Bonus Year and/or at the bonus payment date. The payment of any bonus to

individual not complying with the above shall be subject to the absolute discretion of the chairman of the Board and/or CEO of the Company.

AMIAD FILTRATION SYSTEMS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 5 - EMPLOYEE INCNTIVE PLAN (continued):

The bonus to the Employees shall be paid, subject to the absolute discretion of the Board or of whoever the Board may authorize to do so. As the payment of the bonus is fully discretionary, the Company reserves the right not to pay a bonus to the Employees.

NOTE 6 - REVENUES FROM SALES

Sales by customer location:

	Six months ended		Year ended
	June 30,		December 31,
	2009	2008	2008
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
North America	9,324	11,257	19,853
Europe	6,830	7,111	14,738
Australia	4,476	6,333	11,024
East Asia	8,306	6,207	13,716
Israel	3,590	3,118	5,485
South America	2,854	3,285	4,795
Africa	327	657	1,198
Middle East	1,132	1,505	2,468
Total	<u>36,839</u>	<u>39,473</u>	<u>73,277</u>

NOTE 7 - TAXES ON INCOME:

The income of the Company is taxed at the regular rate.

The corporate tax rates for 2008 and thereafter are as follows: 2008 - 27%, 2009 - 26% and for 2010 and thereafter - 25%.

On July 23, 2009, the Israel Economic Efficiency Law (Legislation Amendments for Applying the Economic Plan for 2009 and 2010), 2009 (hereinafter – the 2009 Amendment), became effective, stipulating, among other things, an additional gradual decrease in tax rates in 2011 and thereafter, as follows: 2011 – 24%, 2012 – 23%, 2013 – 22%, 2014 – 21%, 2015 – 20% and 2016 and thereafter – 18%.

The calculation of taxes on income in the reported period is based on the best available estimation of the weighted average of expected tax rate for the entire year. The reduction in Israeli corporate tax rates has no material impact on the estimated expected tax rate of the Company in the year ended December 31, 2009.

AMIAD FILTRATION SYSTEMS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 8 - CASH FLOWS FROM OPERATIONS:

	Six months ended		Year ended
	June 30,		December 31,
	2009	2008	2008
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Profit for the period	3,648	3,887	5,279
Adjustments to reconcile net income to net cash generated from operating activities:			
Income and expenses not involving cash flows:			
Depreciation and amortization	791	578	1,388
Interest paid	283	450	747
Income taxes paid	983	1,580	3,616
Share based payment		4	13
Deferred income taxes, net	235	2	(733)
Accrued severance pay, net	(177)	220	238
Exchange rate differences on borrowings	(94)	59	(47)
Loss (Gain) on sale of property and equipment	51	(3)	9
Gain from financial assets at fair value through profit	232	(6)	(427)
Exchange rate differences on borrowings to related party and others	23	(110)	(7)
	<u>2,327</u>	<u>2,774</u>	<u>4,797</u>
Changes in working capital:			
Decrease (increase) in accounts receivable:			
Trade	(2,838)	(5,998)	(421)
Other	694	(477)	(1,418)
Increase (Decrease) in accounts payable:			
Trade	(5,188)	(1,136)	1,919
Other	1,357	1,267	1,647
Decrease (increase) in inventories	3,076	(231)	(4,669)
Increase in put option	113		
	<u>(2,786)</u>	<u>(6,575)</u>	<u>(2,942)</u>
Cash generated from operations	<u>3,189</u>	<u>86</u>	<u>7,134</u>
Non-cash transaction - grant receivables regarding the purchase of Fixed assets	<u>-</u>	<u>(31)</u>	<u>(31)</u>