

23 January 2012

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

Trading Update

Amiad, a leading global producer of water treatment and filtration solutions, provides the following trading update for the year ended 31 December 2011 ahead of the Company's full year results, which will be announced in April 2012.

The Company continued to make significant progress in all segments throughout the year as the integration of Arkal Filtration Systems' ("Arkal") business with Amiad was completed. As a result, Amiad expects to report approximately 30% growth in annual revenue to \$116m (2010: \$89.4m) in line with market expectations, with gross margins remaining consistent with the first half of 2011. Looking ahead, the Company entered 2012 with a substantially higher backlog than at the corresponding period in 2011 and expects to deliver further growth in the business.

Rebranding the Company and expanded product offering

Amiad adopted Amiad Water Systems Ltd as its new company name to reflect the development and expansion of its product offering following the acquisition of Arkal in 2010. Based on distinct, but synergistic and complementary technologies, Amiad now operates under three brands – 'Amiad', 'Arkal (by Amiad)' and 'Filtomat (by Amiad)' – providing a wider range of products based on innovative solutions that can form the core of any water filtration or treatment system worldwide.

In November 2011, Amiad launched eight new products under its three brands. The new products, which represent a major expansion of Amiad's offering, have applications across the Company's range of sectors, and include two that are designed specifically for its new target segments of oil & gas and ballast water. The new products will start to be delivered in 2012 and are already receiving significant interest.

Business progress

Amiad maintained strong momentum in the second half of 2011, building on the successes achieved in the first six months of the year. The Company performed well in all markets, with sales in the irrigation segment increasing globally, especially in the United States. In the industrial and municipal segments, sales were especially strong in China, East Europe, Australia, South East Asia and Turkey. This includes a \$2.85m agreement, announced on 19 December 2011, for the provision of the next stage of a water filtration project with one of South Korea's largest steel factories, which is to be delivered in 2012. In addition, Amiad made progress in the ballast water market in the United States.

In India, production continued to increase at Amiad's subsidiary following the completion of the product assembly line in late 2010. This reflects Amiad's strategy to, where possible, transfer production to local sites to improve efficiency, reduce time-to-market and save costs. Similarly, Amiad established Amiad Sistemas de Agua LTDA, in September 2011, as a wholly-owned subsidiary to enhance the sale and marketing of the Company's products and solutions in Brazil, where there is increasing interest and investment in water infrastructure projects. Amiad has already begun to benefit from this, with good progress expected to be made in 2012.

Enquiries:

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