

5 November 2009

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

**Proposed Acquisition of Arkal Filtration Systems Cooperative
Agricultural Society Ltd.**

The Board of Amiad, a producer and global supplier of automated water filters and filtration systems for the industrial, municipal and irrigation markets, announces that it has signed a non-binding term sheet to acquire Arkal Filtration Systems Cooperative Agricultural Society Ltd. ("Arkal") from its existing shareholders – Kibbutz Beit Zera and Bermad Industries. The acquisition is subject to the signing of definitive agreements, the approval of the relevant regulatory authorities in Israel and of the creditors of Kibbutz Beit Zera, and the completion of due diligence.

Under the terms of the non-binding term sheet, Arkal has agreed to enter into an exclusive period of 90 days, to allow for the preparation of definitive agreements, receipt of the requisite approvals and a fuller legal and accounting due diligence on Arkal to occur. There is no certainty that a transaction will be concluded.

Rationale for Acquisition

Arkal is a leading supplier of water filtration solutions, with particular presence in the irrigation market. It is expected that the addition of Arkal's product range, and sales and marketing infrastructure would considerably enhance Amiad's offering in the irrigation market, as well as in the industrial and municipal markets. The enlarged group would have a greatly expanded product portfolio, geographical spread and sales team.

Proposed Terms of the Transaction

Under the terms of the non-binding term sheet, the consideration for Arkal would be satisfied by a combination of cash payment and the issue of new ordinary shares of 0.5 NIS, to be finalised on the closing of the transaction.

Amiad will provide a further update in due course.

Enquiries:

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