

15 September 2010

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



**Results for the six months to 30 June 2010**

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 2010.

**Financial Summary**

- Revenue increased to \$37.9m (H1 2009: \$36.8m)
- Operating profit of \$2.1m (H1 2009: \$5.1m)
- Profit before tax of \$1.1m (H1 2009: \$5.7m)
- Gross margins at 45% (H1 2009: 47%)
- Fully diluted earnings per share was \$0.04 (H1 2009: \$0.19)
- Interim dividend of \$0.02 gross per share (H1 2009: \$0.035 gross per share)
- Cash and cash equivalents at 30 June 2010 were \$11.2m (31 December 2009: \$8.6m)

**Operational Summary**

- Completed acquisition of Arkal Filtration Systems
- Commenced post-merger integration, which is now nearing successful completion
- Established Amiad Andina in Chile to enhance the sale and marketing of Amiad’s products and solutions in Chile, Peru and Argentina
- Increased sales in new and growing geographies
- General economic downturn continued to impact operating profit and PBT, particularly with projects in North America and Eastern Europe
- Implemented restructuring programme to improve efficiency and streamline operations

**Outlook**

- Improving backlog for the second half of 2010
- Initial post-merger synergies to total approximately \$2.5m (\$1.3m from cancellation of capital expenditure programme and \$1.2m from cost base on an annualised basis)
- Enlarged business winning major projects in BRIC countries in the industrial and municipal segments
- Irrigation segment returns to growth as a result of the combined business
- Well-positioned for growth for when re-investment in water infrastructure projects gathers pace

Commenting on the results, Arik Dayan, Chief Executive Officer of Amiad, said:

“This period represents a turning point for Amiad. Whilst the detrimental effects of the global economic downturn continue to be felt, Amiad is well-positioned for when re-investment in water infrastructure projects gather pace. The completion of our acquisition of Arkal has formed an enlarged group with a greatly expanded product portfolio, geographical spread and sales team as well as contributing during May and June to the first half revenues and profit.

“We are delighted with the progress that has been made on the post-merger integration, which is now nearing completion, and the opportunities the combined business will be able to benefit from in the future. These developments represent milestones for the Company as we establish solid foundations for Amiad’s future growth and the delivery of shareholder value in the mid to long term.”

**Enquiries:**

|   |                  |
|---|------------------|
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## Operational Review

The six months to 30 June 2010 was a pivotal period for Amiad. It continued to implement its expansion strategy and restructuring programme, and to build on the successes of the previous year thereby positioning the Company for growth when market conditions improve.

Revenues for the first half of 2010, which include two months' contribution from Arkal for May and June, increased slightly to \$37.9m (including approximately \$7.0m contribution from Arkal) compared with \$36.8m for the same period in the previous year. Operating profit and profit before tax declined to \$2.1m (H1 2009: \$5.1m) and \$1.1m (H1 2009: \$5.7m) respectively. The decline was largely as a result of the economic downturn curtailing investment in water infrastructure, which primarily affected projects in the industrial and municipal segments in the United States and Eastern Europe where Amiad's revenues decreased by approximately 40%.

Amiad continued to make progress in new and growing geographies with revenues increasing from these markets.

In South America, Amiad established Amiad Andina as a subsidiary in Chile to enhance the sale and marketing of the Company's products and solutions in the industrial and municipal markets in Chile, Peru and Argentina. Amiad Andina is a joint venture with CIMA, a distribution company active in the irrigation and construction industries, which has been Amiad's distributor for the municipal and industrial markets in Chile since the end of 2007. With growth in South America anticipated to continue as economic development progresses, the Company maintains its strategy of exploring opportunities for strengthening its presence in the region and expects Amiad Andina to enhance its sales in the target countries.

Conditions in China remained challenging during the six month period as the steel and petrochemical industries continued to suffer the effects of the global downturn. However, Amiad has seen signs of returning investment in the steel industry as well as the municipal segment in the second half of the year. In addition, Arkal is experiencing an increase in activity in China in the petrochemical industry and irrigation segment, which is contributing to the consolidated growth.

Following the establishment of its subsidiary in India last year, Amiad continued to enhance the Company's infrastructure to expand its sales and marketing reach within the Indian continent as well as into the municipal, steel and power generation segments. Whilst the effects of the market downturn persist, the Company remains confident that, with industrial growth in India set to continue, Amiad is well-positioned to capitalise on investment in water infrastructure in the country.

The Company's regional base in Singapore achieved a number of operational successes during the period. The Changi NEWater plant, which uses Amiad's pre-filtration solutions and is operated by Sembcorp Utilities Pte Ltd in Singapore, is now fully-operational after beginning its first phase of production in May 2009. The proven effectiveness of this system has resulted in the introduction of Amiad's filter installations into all five of Singapore's NEWater plants. Similarly, in the Philippines, Amiad completed the installation and commissioning of its filtration system for the Butuan City Water District. This is the initial stage of an expected two-phase project to provide clean drinking water to over 290,000 citizens in the city of Butuan.

Amiad began to see a return to growth in Africa. In March 2010, Amiad completed the testing and commissioning phase for its water treatment facility in Waku Kungo, Angola, which was installed in early 2010. The Company believes the facility is the first combined-use water treatment plant in Africa. The water treatment plant will filter the city's main water supply, the Kave River, providing 50,000 inhabitants and the residents of 15 surrounding villages with potable water for household needs, as well as for agricultural and industrial use.

In the irrigation segment, continuing on from the downtrend seen in the second half of last year, the Company continued to see a low level of activity in the early part of 2010 due to the ongoing decline in

investment by farmers as a result of the macroeconomic conditions. Amiad also saw some pressure on pricing persisting from the second half of 2009.

However, activity in this market began to improve during the second quarter of 2010 and had a strong finish to the first half of the year resulting in revenues in the irrigation segment being higher in H1 2010 compared with the same period last year. The improved performance seen in the latter part of the first half has continued into the second half of 2010 and, with the combination of Arkal's successful irrigation business with that of Amiad, the segment is expected to return to growth next year.

### *Acquisition of Arkal*

To progress Amiad's growth strategy in Israel and globally, the Company completed the acquisition of the entire issued share capital of, and ownership rights in, Arkal Filtration Systems Cooperative Agricultural Society Ltd. from its existing shareholders – Kibbutz Beit Zera, including its affiliated corporations, and Bermad Industries Cooperative Agricultural Society Ltd.

Arkal is one of the leading suppliers of water filtration solutions, with a particular presence in the irrigation market. Its primary product is the automatic Spin Klin system, based on disc filtration technology. The addition of Arkal's product range, and sales and marketing infrastructure, has considerably enhanced Amiad's offering in the irrigation segment as well as in the industrial and municipal markets. The enlarged group has a greatly expanded product portfolio, geographical spread and sales team.

Following the completion of the acquisition, Amiad and Arkal have entered into a post-merger integration process, which is now nearing a successful conclusion. In the short term, Amiad has realised a capital expenditure saving of \$1.3m and, going forward, expects annual payroll to be reduced by \$1.2m on a combined annualised basis. The management team of the combined business is now focused on strengthening the strategic plan that will enable the new company to maximise its growth potential.

### **Financial Review**

Revenues for the six months ended 30 June 2010 increased by 3% to \$37.9m compared with \$36.8m for the first half of 2009 and by 18% sequentially (H2 2009: \$32.3m). Fully diluted earnings per share decreased to \$0.04 (H1 2009: \$0.19).

Operating profit decreased to \$2.1m compared to \$2.9m for the second half of 2009 and \$5.1m for the period ended 30 June 2009. Profit before tax decreased to \$1.1m (H1 2009: \$5.7m; H2 2009: \$2.9m).

Gross margins decreased to 45% compared with 47% for the first half of 2009.

As of 30 June 2010, cash and cash equivalents in the bank were \$11.2m compared with \$8.6m at 31 December 2009, reflecting the acquisition of Arkal, and continuing efforts to increase organisational efficiency, streamline operations and maintain tight control of costs.

### **Dividend**

The Directors have decided to declare a dividend out of the Company's profits for the six months ended 30 June 2010 of \$0.02 gross per share (H1 2009: \$0.035 gross per share), with an ex dividend date of 22 September 2010, a record date of 24 September 2010 and a payment date of 20 October 2010.

The Board of Amiad has a policy to pay a dividend of not less than 30% of profits in each year. Due to the acquisition of Arkal, the number of shares in issue has been increased to 22.5 million from approximately 19 million last year. The total interim dividend cost, at \$0.02 per share, will amount to \$450,000, which

represents approximately 57% of the interim profits. The Board of Amiad considers that this payment properly reflects the tough economic conditions prevailing in world markets and the Company's performance in the first half of the year. The level of the final dividend will be considered in the light of the second half performance and outlook for 2011 when it is declared next year.

## **Outlook**

Certain of Amiad's traditional key markets continue to experience the negative effects of the difficult macro economic conditions with reduced investment being seen in North America and Eastern Europe.

However, the Company has seen increasing signs of interest in water projects in the second half of 2010 with levels of backlog higher compared with the equivalent period last year. The Company's strategy of forming local alliances and increasing its presence in growth markets that are expected to invest in water infrastructure projects is helping to offset some of the loss of revenues in Amiad's traditional key territories.

The product offering of the combined business is already bearing fruit in the municipal and industrial markets. Notable project wins were seen in the municipal segment in Latin America; in the naval industry in North America; in three countries in Eastern Europe; in the Far East to provide irrigation and potable water; and a project in India to provide pre-filtration through to desalination, based on Arkal technology.

As a result of the Arkal contribution, the improving offering in the irrigation market and the introduction of products for the new segments, as well as improved backlog, the Directors believe that Amiad is well-positioned to deliver shareholder value in the mid to long term.

**AMIAD FILTRATION SYSTEMS LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2010**

|  | <b>June 30,</b>                  |               | <b>December 31,</b> |
|--|----------------------------------|---------------|---------------------|
|  | <b>2010</b>                      | <b>2009</b>   | <b>2009</b>         |
|  | <b>(Unaudited)</b>               |               | <b>(Audited)</b>    |
|  | <b>U.S. dollars in thousands</b> |               |                     |
| <b>A s s e t s</b>                                       |                                  |               |                     |
| <b>CURRENT ASSETS:</b>                                   |                                  |               |                     |
| Cash and cash equivalents                                | 11,191                           | 6,266         | 8,575               |
| Short term deposit                                       |                                  | 1,000         |                     |
| Financial assets at fair value through profit<br>or loss | 2,692                            | 295           | 254                 |
| Accounts receivable and accruals:                        |                                  |               |                     |
| Trade  | 31,413                           | 21,133        | 20,348              |
| Other  | 2,394                            | 1,702         | 1,869               |
| Inventories  | 19,843                           | 17,100        | 15,964              |
| Income tax assets  | 1,268                            | 1,824         | 1,128               |
| <b>T o t a l current assets</b>                          | <b>68,801</b>                    | <b>49,320</b> | <b>48,138</b>       |
| <b>NON-CURRENT ASSETS:</b>                               |                                  |               |                     |
| Loan to a related party                                  | 620                              | 651           | 650                 |
| Severance pay fund                                       | 19                               | 135           | 125                 |
| Long-term receivables                                    | 364                              | 164           | 200                 |
| Property and equipment                                   | 6,703                            | 3,714         | 3,440               |
| Investments in associates                                | 10                               |               |                     |
| Deferred income tax assets                               | 1,308                            | 1,357         | 1,682               |
| Goodwill and other intangible assets                     | 19,446                           | 6,652         | 6,471               |
| <b>T o t a l non-current assets</b>                      | <b>28,470</b>                    | <b>12,673</b> | <b>12,568</b>       |
| <b>T o t a l assets</b>                                  | <b>97,271</b>                    | <b>61,993</b> | <b>60,706</b>       |

|  | <u>June 30,</u>                  |               | <u>December 31,</u> |
|--|----------------------------------|---------------|---------------------|
|  | <u>2010</u>                      | <u>2009</u>   | <u>2009</u>         |
|  | <u>(Unaudited)</u>               |               | <u>(Audited)</u>    |
|  | <u>U.S. dollars in thousands</u> |               |                     |
| <b>Liabilities and equity</b>  |                                  |               |                     |
| <b>CURRENT LIABILITIES:</b>  |                                  |               |                     |
| Short-term credit and borrowings from banks                                | 11,168                           | 11,403        | 9,669               |
| Accounts payable and accruals:   |                                  |               |                     |
| Trade  | 17,555                           | 8,176         | 7,616               |
| Other  | 6,770                            | 7,024         | 6,080               |
| Dividend payable   | 968                              |               |                     |
| Current income tax liability   | 1,205                            | 1,930         | 1,751               |
| T o t a l current liabilities  | <u>37,666</u>                    | <u>28,533</u> | <u>25,116</u>       |
| <b>NON-CURRENT LIABILITIES:</b>  |                                  |               |                     |
| Borrowings from banks and others<br>(net of current maturities)            | 13,235                           | 1,926         | 1,537               |
| Put option liability   | 2,071                            | 1,801         | 1,931               |
| Deferred income tax liabilities  | 933                              |               |                     |
| T o t a l non-current liabilities  | <u>16,239</u>                    | <u>3,727</u>  | <u>3,468</u>        |
| T o t a l liabilities  | <u>53,905</u>                    | <u>32,260</u> | <u>28,584</u>       |
| <b>EQUITY:</b>   |                                  |               |                     |
| <b>Capital and reserves attributable to equity holders of the Company:</b> |                                  |               |                     |
| Share capital  | 2,780                            | 2,342         | 2,342               |
| Capital reserves   | 24,467                           | 13,305        | 13,305              |
| Currency translation reserve   | (78)                             | (37)          | 243                 |
| Retained earnings  | 15,866                           | 14,049        | 16,085              |
|  | <u>43,035</u>                    | <u>29,659</u> | <u>31,975</u>       |
| <b>NON CONTROLLING INTEREST</b>  | 331                              | 74            | 147                 |
| T o t a l equity   | <u>43,366</u>                    | <u>29,733</u> | <u>32,122</u>       |
| T o t a l liabilities and equity   | <u>97,271</u>                    | <u>61,993</u> | <u>60,706</u>       |

**AMIAD FILTRATION SYSTEMS LTD.**

CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2010

|   | <b>Six months ended</b>         |             | <b>Year ended</b>   |
|---|---------------------------------|-------------|---------------------|
|   | <b>June 30,</b>                 |             | <b>December 31,</b> |
|   | <b>2010</b>                     | <b>2009</b> | <b>2009</b>         |
|   | <b>(Unaudited)</b>              |             | <b>(Audited)</b>    |
|   | <b>U.S dollars in thousands</b> |             |                     |
|   | <b>except per share data</b>    |             |                     |
| <b>REVENUE</b>  | 37,944                          | 36,839      | 69,102              |
| <b>COST OF SALES</b>  | 20,833                          | 19,402      | 35,863              |
| <b>GROSS PROFIT</b>   | 17,111                          | 17,437      | 33,239              |
| <b>RESEARCH AND DEVELOPEMEMNT</b>                                       | 419                             |             |                     |
| <b>SELLING AND MARKETING COSTS</b>                                      | 9,345                           | 8,365       | 16,843              |
| <b>ADMINISTRATIVE AND GENERAL EXPENSES</b>                              | 5,218                           | 3,941       | 8,338               |
| <b>OTHER LOSSES (INCOME) NET</b>  | 3                               | 51          | 119                 |
| <b>OPERATING PROFIT</b>   | 2,126                           | 5,080       | 7,939               |
| <b>FINANCE INCOME</b>   | 72                              | 1,478       | 1,719               |
| <b>FINANCE COSTS</b>  | (1,071)                         | (819)       | (984)               |
| <b>FINANCE INCOME (COST), NET</b>                                       | (999)                           | 659         | 735                 |
| <b>PROFIT BEFORE INCOME TAX</b>   | 1,127                           | 5,739       | 8,674               |
| <b>INCOME TAX EXPENSES</b>  | 340                             | 2,091       | 2,216               |
| <b>PROFIT FOR THE PERIOD</b>  | 787                             | 3,648       | 6,458               |
| <b>ATTRIBUTED TO:</b>   |                                 |             |                     |
| Equity holders of the Company   | 749                             | 3,652       | 6,393               |
| Non controlling interest  | 38                              | (4)         | 65                  |
|   | 787                             | 3,648       | 6,458               |
|   | <b>U.S dollars</b>              |             |                     |
| <b>EARNINGS PER SHARE</b>   |                                 |             |                     |
| Attributable to the equity holders of<br>the Company during the period: |                                 |             |                     |
| Basic   | 0.037                           | 0.190       | 0.332               |
| Diluted   | 0.037                           | 0.190       | 0.332               |

**AMIAD FILTRATION SYSTEMS LTD.**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2010**

|  | <b>Six months ended</b>         |              | <b>Year ended</b>   |
|--|---------------------------------|--------------|---------------------|
|  | <b>June 30,</b>                 |              | <b>December 31,</b> |
|  | <b>2010</b>                     | <b>2009</b>  | <b>2009</b>         |
|  | <b>(Unaudited)</b>              |              | <b>(Audited)</b>    |
|  | <b>U.S dollars in thousands</b> |              |                     |
| <b>Profit for the period</b>                       | 787                             | 3,648        | 6,458               |
| <b>Other comprehensive income</b>                  |                                 |              |                     |
| Currency translation differences                   | (347)                           | 233          | 517                 |
| <b>Total comprehensive income for the period</b>   | <u>440</u>                      | <u>3,881</u> | <u>6,975</u>        |
| <b>Total comprehensive income attributable to:</b> |                                 |              |                     |
| Equity holders of the Company                      | 428                             | 3,884        | 6,905               |
| Non controlling interest                           | 12                              | (3)          | 70                  |
| <b>Total</b>                                       | <u>440</u>                      | <u>3,881</u> | <u>6,975</u>        |

**AMIAD FILTRATION SYSTEMS LTD.**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2010

|  | Attributable to equity holders of the Company |                  |                    |                                    |                     |        |                                |                                  |
|--|---|------------------|--------------------|------------------------------------|---------------------|--------|--------------------------------|----------------------------------|
|  | Number of<br>shares                           | Share<br>capital | Capital<br>reserve | Currency<br>translation<br>reserve | Retained<br>earning | Total  | Non<br>controlling<br>interest | Total<br>shareholde<br>rs equity |
|  |   |                  |                    | U.S dollars in thousands           |                     |        |                                |                                  |
| <b>BALANCE AT JANUARY 1, 2010</b> (audited)                          | 19,237,531                                    | 2,342            | 13,305             | 243                                | 16,085              | 31,975 | 147                            | 32,122                           |
| <b>CHANGES DURING THE SIX MONTH ENDED JUNE 30, 2010</b> (unaudited): |   |                  |                    |                                    |                     |        |                                |                                  |
| <b>Comprehensive income :</b>  |   |                  |                    |                                    |                     |        |                                |                                  |
| Profit for the year  |   |                  |                    |                                    | 749                 | 749    | 38                             | 787                              |
| <b>Other comprehensive income :</b>                                  |   |                  |                    |                                    |                     |        |                                |                                  |
| Currency translation differences                                     |   |                  |                    | (321)                              |                     | (321)  | (26)                           | (347)                            |
| <b>Total comprehensive income</b>                                    |   |                  |                    | (321)                              | 749                 | 428    | 12                             | 440                              |
| <b>Transaction with owners :</b>                                     |   |                  |                    |                                    |                     |        |                                |                                  |
| Dividend (\$ 0.043 per share)  |   |                  |                    |                                    | (968)               | (968)  |                                | (968)                            |
| Issue of ordinary shares related to business combination             | 3,284,159                                     | 438              | 11,162             |                                    |                     | 11,600 |                                | 11,600                           |
| Non controlling interest arising on business combination             |   |                  |                    |                                    |                     |        | 172                            | 172                              |
| <b>Total transactions with owners</b>                                |   | 438              | 11,162             |                                    | (968)               | 10,632 | 172                            | 10,804                           |
| <b>BALANCE AT JUNE 30, 2010</b> (unaudited)                          | 22,521,690                                    | 2,780            | 24,467             | (78)                               | 15,866              | 43,035 | 331                            | 43,366                           |
| <b>BALANCE AT JANUARY 1, 2009</b> (audited)                          | 19,237,531                                    | 2,342            | 13,305             | (269)                              | 11,224              | 26,602 | 77                             | 26,679                           |
| <b>CHANGES DURING THE SIX MONTH ENDED JUNE 30, 2009</b> (unaudited): |   |                  |                    |                                    |                     |        |                                |                                  |
| <b>Comprehensive income :</b>  |   |                  |                    |                                    |                     |        |                                |                                  |
| Profit for the year  |   |                  |                    |                                    | 3,652               | 3,652  | (4)                            | 3,648                            |
| <b>Other comprehensive income :</b>                                  |   |                  |                    |                                    |                     |        |                                |                                  |
| Currency translation differences                                     |   |                  |                    | 232                                |                     | 232    | 1                              | 233                              |
| <b>Total comprehensive income</b>                                    | 19,237,531                                    | 2,342            | 13,305             | 232                                | 3,652               | 3,884  | (3)                            | 3,881                            |
| <b>Transaction with owners :</b>                                     |   |                  |                    |                                    |                     |        |                                |                                  |
| Dividend (\$ 0.043 per share)  |   |                  |                    |                                    | (827)               | (827)  |                                | (827)                            |
| <b>BALANCE AT JUNE 30, 2009</b> (unaudited)                          | 19,237,531                                    | 2,342            | 13,305             | (37)                               | 14,049              | 29,659 | 74                             | 29,733                           |

**AMIAD FILTRATION SYSTEMS LTD.**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2010

|  |                          |                     |                      |                   |                      |                      |                   |                      |
|--|--------------------------|---------------------|----------------------|-------------------|----------------------|----------------------|-------------------|----------------------|
| <b>Balance at 1 January 2009</b>                 | <u>19,237,531</u>        | <u>2,342</u>        | <u>13,305</u>        | <u>(269)</u>      | <u>11,224</u>        | <u>26,602</u>        | <u>77</u>         | <u>26,679</u>        |
| <b>Comprehensive income :</b>                    |                          |                     |                      |                   |                      |                      |                   |                      |
| Profit for the year                              | -                        | -                   | -                    | -                 | 6,393                | 6,393                | 65                | 6,458                |
| <b>Other comprehensive income :</b>              |                          |                     |                      |                   |                      |                      |                   |                      |
| Currency translation differences                 | -                        | -                   | -                    | 512               |                      | 512                  | 5                 | 517                  |
| <b>Total comprehensive income</b>                | <u>19,237,531</u>        | <u>2,342</u>        | <u>13,305</u>        | <u>512</u>        | <u>6,393</u>         | <u>6,905</u>         | <u>70</u>         | <u>6,975</u>         |
| <b>Transaction with owners :</b>                 |                          |                     |                      |                   |                      |                      |                   |                      |
| Dividend (\$0.078 per share)                     | -                        | -                   | -                    | -                 | (1,501)              | (1,501)              | -                 | (1,501)              |
| Share-based payment - Value of employee services | -                        | -                   | -                    | -                 | (31)                 | (31)                 | -                 | (31)                 |
| <b>Total transaction with owners</b>             | <u>-</u>                 | <u>-</u>            | <u>-</u>             | <u>-</u>          | <u>(1,532)</u>       | <u>(1,532)</u>       | <u>-</u>          | <u>(1,532)</u>       |
| <b>Balance at 31 December 2009</b>               | <u><u>19,237,531</u></u> | <u><u>2,342</u></u> | <u><u>13,305</u></u> | <u><u>243</u></u> | <u><u>16,085</u></u> | <u><u>31,975</u></u> | <u><u>147</u></u> | <u><u>32,122</u></u> |

**AMIAD FILTRATION SYSTEMS LTD.**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2010

|   | <b>Six months ended<br/>June 30,</b> |                     | <b>Year ended<br/>December<br/>31,</b> |
|---|--------------------------------------|---------------------|--|
|   | <b>2010</b>                          | <b>2009</b>         | <b>2009</b>                            |
|   | <b>(Unaudited)</b>                   |                     | <b>(Audited)</b>                       |
|   | <b>U.S dollars in thousands</b>      |                     |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                                      |                     |  |
| Cash generated from operations  | 6,320                                | 3,189               | 8,595                                  |
| Interest paid   | (277)                                | (283)               | (421)                                  |
| Income tax paid   | (1,042)                              | (983)               | (1,809)                                |
| Net cash generated from operating activities                                | <u>5,001</u>                         | <u>1,923</u>        | <u>6,365</u>                           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |                                      |                     |  |
| Acquisition of subsidiaries   | (9,341)                              |                     |  |
| Acquisition of associates   | (10)                                 |                     |  |
| Purchases of property and equipment   | (573)                                | (356)               | (757)                                  |
| Purchases of intangible assets  | (50)                                 | (213)               | (326)                                  |
| Investments grants received   |                                      |                     | 29                                     |
| Investment in financial assets at fair value through<br>profit or loss, net | 9                                    |                     |  |
| Investment in short-term deposit  |                                      | (1,000)             |  |
| Proceeds from sale of property and equipment                                | 85                                   | 125                 | 241                                    |
| Collection of long-term loan granted to a related party                     | (28)                                 | (31)                | (94)                                   |
| Net cash generated from (used in) investing activities                      | <u>(9,908)</u>                       | <u>(1,475)</u>      | <u>(907)</u>                           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |                                      |                     |  |
| Dividends paid to equity holders of the Company                             |                                      | (827)               | (1,501)                                |
| Receipt of long-term borrowings and other liabilities                       | 11,026                               | 17                  | 23                                     |
| Repayments of long term borrowings  | (995)                                | (817)               | (1,416)                                |
| Short-term borrowings from banks, net                                       | (2,403)                              | 794                 | (749)                                  |
| Net cash generated from (used in) financing activities                      | <u>7,628</u>                         | <u>(833)</u>        | <u>(3,643)</u>                         |
| <b>EXCHANGE LOSS (GAIN) ON CASH AND CASH<br/>EQUIVALENTS</b>                | <u>(105)</u>                         | <u>142</u>          | <u>251</u>                             |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH<br/>EQUIVALENTS</b>             | <u>2,616</u>                         | <u>(243)</u>        | <u>2,066</u>                           |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                       | <u>8,575</u>                         | <u>6,509</u>        | <u>6,509</u>                           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                             | <u><u>11,191</u></u>                 | <u><u>6,266</u></u> | <u><u>8,575</u></u>                    |