

15 September 2008



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

Results for the six months to 30 June 2008

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 2008.

Financial Highlights

- Turnover increased by 44% to US\$39.5m (H1 2007: US\$27.4m)
- Operating profit increased by 65% to US\$6.1m (H1 2007: US\$3.7m)
- Profits before tax increased by 47% to US\$5.4m (H1 2007: US\$3.7m)
- Gross margins at 49% (H1 2007: 49%)
- Fully diluted earnings per share increased by 36% to 20.1 US\$ cents (H1 2007: 14.8 US\$ cents)
- Interim dividend of 3.5 US\$ cents (gross) per share (H1 2007: 3.0 US\$ cents (gross) per share)
- Cash and cash equivalents at 30 June 2008 of US\$6.5m (31 December 2007: US\$4.1m)

Operational Highlights

- Sales growth in all main territories
- Order levels in the industrial & municipal segment were good across all major territories and new territories were penetrated
- Operations in East Asia showed significant growth
- Projects in Russia, Kazakhstan and Ukraine showed good progress
- Breakthrough project secured in India for screen-filters in the petrochemical and power industries with further projects secured in the region
- New contracts secured in the US
- Increased demand for products in the irrigation segment due to plantation of crops in response to growing demand for alternative fuel sources
- Continuous pressure on margins impacted by the weakness of the US dollar and increases in raw material prices

Commenting on the results, Rami Treger, Chief Executive Officer of Amiad, said: “The socio-economic rise of developing countries, along with the increasing demands upon water supplies in the western world, resulted in Amiad experiencing considerable and sustained growth on a global scale in all segments. Additionally, the Company has enjoyed the fruits of marketing efforts with increased sales and new and breakthrough contracts in new territories.

Looking ahead, Amiad has entered the second half of 2008 with a backlog higher than the corresponding period last year as the positive trend of the first half has continued. As a result, the Company expects to report continued growth for the second half of 2008 compared to the corresponding period in 2007, and significant growth for the full year 2008 compared to 2007.”

Enquiries:

Amiad Filtration Systems Ltd.	
Rami Treger, Chief Executive Officer Itamar Eder, Chief Financial Officer	+972 (0) 4 690 9500
Corfin Communications	
Harry Chathli, Victoria Ward	+ 44 (0) 20 7977 0020

Operational Review

The Board is pleased to report excellent growth in the first half of 2008. Sales in the first half are significantly higher than in the first half of 2007, building on the strong growth from the previous year. The Company increased its revenues by 44% to US\$39.5m compared to the first half of 2007 (H1 2007: US\$27.4m) and profit before tax increased by 47% to US\$5.4m compared to the first half of 2007 (H1 2007: US\$3.7m).

The Company anticipated an increase in global water investment and increased its sales and marketing efforts accordingly, resulting in increased trading in all main parts of the business.

Order levels in the industrial & municipal segment have been good across all major territories, particularly in Europe, Australia and North America. Additionally, the Company has successfully secured orders in new territories.

Overall, the Company's automatic screen filters have continued to gain traction and the thread filters have also seen strong growth, specifically in the municipal for drinking water and industrial applications. In the US, the Company continues to perform well in its specialist project for the provision of clean water for liquid gas storage and this contract has been expanded. New orders during the period were for micro fiber automatic self-cleaning filters with a soft drinks producer as well as two sites for brine water filtration.

Operations in East Asia have also shown significant growth. In South Korea, the Company has secured a large project using thread and pre-filtration filters and the project in Singapore of converting sewage water into drinking water continues to grow successfully. Other projects for the industrial sector include a breakthrough project in India for the use of Amiad's screen-filters in the petrochemical industry and additional projects in the power and automobile industries have been undertaken. The industrial sector in China is also progressing well with a new project in the steel industry. The water cooling business in the petrochemical market with a customer in Brazil continues to perform strongly. Projects in Russia, including the use of Amiad's filters to remove iron from water to produce drinking water, as well as those in Kazakhstan and Ukraine, continue to make good progress. A new project was also initiated in the region for the steel industry for high flow, auto-self cleaning screen filters and, building on momentum in Eastern Europe, the Company gained a new contract for the filtration of drinking water.

More recently, the Company has secured contracts in new territories including in Chile where Amiad's automatic self cleaning screen filters have been selected for use in the mining industry and in the Philippines for a project using micro fiber technology for use in municipal drinking water.

In the irrigation segment, trading conditions have continued to improve globally as a result of increased planting of crops such as corn, sugarcane and soya beans in response to the growing demand for alternative fuel sources. In Europe, the Company has seen a high increase in demand with projects in Italy and France developing well. The Company is also pleased to report that it has recently secured a large irrigation project for water supply in Central Africa.

Also, in the first half of 2008, the Company entered into an agreement to acquire a controlling interest in a Turkish company for a cash consideration of up to US\$1.4m. The deal was completed in July 2008. This is an important move for Amiad adding a complementary product line and manufacturing capabilities and enabling the Company to penetrate new territories. Sales of the Turkish company in 2007 were just over US\$2m and it was profitable. Amiad continues to seek opportunities to acquire similar positions in companies which add new technologies or enable it to enter into new territories.

Financial review

Revenue for the six months ended 30 June 2008 increased by 44% compared to the first half of 2007 to US\$39.5m (H1 2007: US\$27.4m). Profit before tax increased by 47% compared to the first half of 2007 to US\$5.4m (H1 2007: US\$3.7m). Fully diluted earnings per share were 20.1 US cents (H1 2007: 14.8 US cents). Gross margins were stable at 49% (H1 2007: 49%).

The Company continued to be impacted by the weakness of the US dollar and increases in raw material prices. The Company worked to increase efficiency in production lines with tightened purchasing and increased prices across most product lines. This enabled the Company to maintain gross margins of 49%. Looking ahead, pressure on margins is expected to continue; however, the Company is continuously taking actions in order to try to maintain its current gross margins, but this cannot be guaranteed.

Operating profit increased by 65% compared to the first half of 2007 to US\$6.1m (H1 2007: US\$3.7m) reflecting the considerable growth of the business.

The significant growth is also reflected in the working capital requirements which resulted in a negative net cash balance of US\$1.9m (H1 2007: zero cash balance) from operating activities. However, the Company improved its working capital ratio from 41% as at 30 June 2007 to 37% as at 30 June 2008. Cash and cash equivalents in the bank was US\$6.5m at the end of the period (31 December 2007: US\$4.1m).

Dividend

The Directors have decided to declare a dividend out of the Company's profits for the six months ended 30 June 2008 of 3.5 US\$ cents (gross) per share (H1 2007: US \$cents 3.0 (gross) per share), with an ex dividend date of 15 October 2008, a record date of 17 October 2008 and a payment date of 14 November 2008.

Management

In May 2008, the Company announced the appointment of Tal Yeshua as Non-Executive Chairman to guide the Company towards further long-term growth. Tal Yeshua had previously been a Non-Executive Director at Amiad since February 2008. He succeeded Abraham Heifetz who was Non-Executive Chairman of the Company from February 2005.

Outlook

The socio-economic rise of developing countries, along with the increasing demands upon water supplies in the western world, has resulted in Amiad experiencing considerable and sustained growth on a global scale in all segments. Additionally, the Company has enjoyed the fruits of marketing efforts with increased sales and new contracts in new territories.

Looking ahead, Amiad has entered the second half of 2008 with a backlog higher than at the corresponding period last year and also higher than at the beginning of the current year, as the positive trend of the first half has continued. As a result, the Company expects to report continued growth for the second half of 2008 compared to the corresponding period in 2007, and significant growth for the full year 2008 compared to 2007.

AMIAD FILTRATION SYSTEMS LTD.
CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE, 2008

	30 June		31 December,
	2008	2007	2007
	U.S. dollars in thousands		
A s s e t s	(Unaudited)		(Audited)
CURRENT ASSETS:			
Cash and cash equivalents	6,544	3,369	4,060
Financial assets at fair value through profit or loss	106	2,511	2,112
Accounts receivable and accruals:			
Trade	24,229	19,888	17,858
Other	1,921	1,245	1,126
Inventories	16,464	13,223	15,955
Income Tax assets	1,420	745	1,695
T o t a l c u r r e n t a s s e t s	50,684	40,981	42,806
NON-CURRENT ASSETS:			
Loan to a related party	778	659	703
Severance pay fund			196
Long-term receivables	151	154	158
Property and equipment	3,528	2,943	3,051
Intangible assets	3,854	2,759	3,815
Deferred income tax assets	1,343	1,301	1,409
T o t a l n o n - c u r r e n t a s s e t s	9,654	7,816	9,332
T o t a l a s s e t s	60,338	48,797	52,138

AMIAD FILTRATION SYSTEMS LTD.
CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE, 2008

	30 June	31 December,	2007
	2008	2007	2007
	U.S dollars in thousands		
	(Unaudited)	(Audited)	
Liabilities and equity			
CURRENT LIABILITIES:			
Short-term credit and borrowings from bank	13,255	8,948	8,674
Accounts payable and accruals:			
Trade	11,361	10,496	12,028
Other	6,680	3,583	5,313
Current income tax liability	387	366	398
T o t a l current liabilities	31,683	23,393	26,413
NON-CURRENT LIABILITIES:			
Borrowings from banks and others (net of current maturities)	1,455	2,800	2,202
Severance pay obligations	24	*34	-
Deferred income tax liabilities	413	471	477
T o t a l non-current liabilities	1,892	3,505	2,679
T o t a l liabilities	33,575	26,698	29,092
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital	2,334	2,291	2,291
Capital reserves	13,401	12,797	12,797
Currency translation reserve	624	240	360
Retained earnings	10,341	6,340	7,559
	26,700	21,668	23,007
MINORITY INTEREST	63	431	39
T o t a l equity	26,763	22,099	23,046
T o t a l liabilities and equity	60,338	48,797	52,138

* Reclassified.

The notes on pages 8 to 12 are an integral part of these condensed financial statements.

AMIAD FILTRATION SYSTEMS LTD.
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008

	6 months ended		Year ended
	30 June		31 December,
	2008	2007	2007
U.S dollars in thousands			
except per share data			
	(Unaudited)		(Audited)
REVENUE	39,473	27,437	56,955
COST OF SALES	20,218	14,009	29,986
GROSS PROFIT	19,255	13,428	26,969
SELLING AND MARKETING COSTS	9,519	6,486	13,844
ADMINISTRATIVE AND GENERAL EXPENSES	3,481	3,071	6,451
AMORTIZATION OF INTANGIBLE ASSETS	204	188	372
OTHER LOSSES (INCOME)- NET	(3)	12	
	<u>13,201</u>	<u>9,757</u>	<u>20,667</u>
OPERATING PROFIT	6,054	3,671	6,302
FINANCE INCOME	314	491	610
FINANCE COSTS	988	506	1,009
FINANCE COST- NET	674	15	399
PROFIT BEFORE INCOME TAX	5,380	3,656	5,903
INCOME TAX EXPENSES	1,493	749	1,139
PROFIT FOR THE PERIOD	<u>3,887</u>	<u>2,907</u>	<u>4,764</u>
ATTRIBUTED TO:			
Equity holders of the company	3,871	2,821	4,582
Minority interest	16	86	182
	<u>3,887</u>	<u>2,907</u>	<u>4,764</u>
	U.S dollars		
EARNINGS PER SHARE ATTRIBUTABLE TO			
THE EQUITY HOLDERS OF THE			
COMPANY DURING THE PERIOD			
(see note 3c):			
Basic	<u>0.203</u>	<u>0.149</u>	<u>0.243</u>
Diluted	<u>0.201</u>	<u>0.148</u>	<u>0.241</u>

The notes on pages 8 to 12 are an integral part of these consolidated financial statements.

AMIAD FILTRATION SYSTEMS LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008

	Attributable to equity holders of the Company						Total shareholders equity
	Number of shares	Share capital	Capital reserve	Currency translation reserve	Retained earnings	Total	
BALANCE AT JANUARY 1, 2008 (audited)	18,872,723	2,291	12,797	360	7,559	23,007	23,046
CHANGES DURING THE 6 MONTH ENDED 30 June 2008:							
Currency translation differences	-	-	-	264	-	264	272
Profit for the period	-	-	-	-	3,871	3,871	3,887
Total recognized profit for 6 month ended 30 June 2008	-	-	-	264	3,871	4,135	4,159
Share-based payment - value of employee services	-	-	-	-	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	26,763
BALANCE AT JANUARY 1, 2007 (audited)	18,872,723	2,291	12,797	164	4,303	19,555	19,900
CHANGES DURING THE 6 MONTH ENDED 30 June 2007:							
Currency translation differences	-	-	-	76	-	76	76
Profit for the period	-	-	-	-	2,821	2,821	2,907
Total recognized profit for 6 month ended 30 June 2007	-	-	-	76	2,821	2,897	2,983
Share-based payment - value of employee services	-	-	-	-	60	60	60
Dividend (\$ 0.045 per share)	-	-	-	-	(844)	(844)	(844)
BALANCE AT JUNE 30, 2007 (unaudited)	18,872,723	2,291	12,797	240	6,340	21,668	22,099
BALANCE AT JANUARY 1, 2007 (audited)	18,872,723	2,291	12,797	164	4,303	19,555	19,900
CHANGES DURING THE YEAR ENDED 31 December 2007:							
Currency translation differences	-	-	-	196	-	196	196
Profit for the period	-	-	-	-	4,582	4,582	4,764
Total recognized profit for 2007	-	-	-	196	4,582	4,778	4,960
Dividend (\$ 0.07 per share)	-	-	-	-	(1,410)	(1,410)	(1,410)
Purchase of treasury stocks by a subsidiary	-	-	-	-	-	-	(488)
Share-based payment - Value of employee services	-	-	-	-	84	84	84
BALANCE AT DECEMBER 31, 2007 (audited)	18,872,723	2,291	12,797	360	7,559	23,007	23,046

The notes on pages 8 to 12 are an integral part of these condensed financial statements.

AMIAD FILTRATION SYSTEMS LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008

	6 months ended		Year ended
	30 June		31 December,
	2008	2007	2007
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations	86	1,353	6,312
Interest paid	(450)	(298)	(722)
Income tax paid	(1,580)	(1,078)	(2,029)
Net cash generated from (used in) operating activities	<u>(1,944)</u>	<u>(23)</u>	<u>3,561</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(904)	(729)	(1,254)
Purchases of intangible assets	(243)	(189)	(599)
Investments grants received	29	93	169
Investment in financial assets at fair value through profit or loss, net	2,012	(630)	(50)
Proceeds from sale of property and equipment	58	58	154
Long-term loan granted to others, net	7	(49)	(53)
Collection of long-term loan granted to a related party	28	23	47
Net cash generated from (used in) investing activities	<u>987</u>	<u>(1,423)</u>	<u>(1,586)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	(921)	(844)	(1,410)
Proceeds from exercise of options	475		
Repayments of long term borrowings		(1,048)	
Receipt of long-term borrowings and other liabilities		1,003	1,316
Purchase of treasury stocks by a subsidiary			(1,317)
Repayments of long term borrowings	(939)		(2,126)
Short-term borrowings from banks, net	4,713	1,473	1,354
Net cash generated from (used in) financing activities	<u>3,328</u>	<u>584</u>	<u>(2,183)</u>
EXCHANGE GAIN ON CASH AND CASH EQUIVALENTS	<u>113</u>	<u>14</u>	<u>51</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,484	(848)	(157)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,060</u>	<u>4,217</u>	<u>4,217</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>6,544</u>	<u>3,369</u>	<u>4,060</u>

The notes on pages 8 to 12 are an integral part of these condensed financial statements.

AMIAD FILTRATION SYSTEMS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

The interim financial statement as of 30 June 2008 and for the six-month period then ended (hereafter – the interim statements) has been prepared in condensed form in accordance with IAS 34 – “Interim Financial Reporting”.

The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, As described in the annual financial statements for the year ended 31 December 2007.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the group.

- IFRIC 11, 'IFRS 2 - Group and treasury share transactions'.
- IFRIC 12, 'Service concession arrangements'.
- IFRIC 14, 'IAS 19 - the limit on defined benefit asset, minimum funding requirements and their interaction'.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted:

- IFRS 2 (amendment) ‘Share-based payment’, effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the group’s SAYE schemes.
- IFRS 3 (amendment), ‘Business combinations’ and consequential amendments to IAS 27, ‘Consolidated and separate financial statements’, IAS 28, ‘Investments in associates’ and IAS 31, ‘Interests in joint ventures’, effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the group.
- IFRIC 16 - Hedges of a net investment in a foreign operation, effective for periods beginning on or after 1 October 2008 with earlier application permitted. The management is currently assessing the impact of IFRIC 16 on the Company's operations.
- Improvements to IFRS – In May 2008 the IFRS issued amendments to certain IFRSs. Part of the changes result in accounting changes for presentation, recognition or measurement purposes and part of the changes contain amendments that are terminology or editorial changes only. These amendments are effective for periods starting on or after 1 January 2009. Management is currently assessing the impact of these amendments.

NOTE 3 - SHAREOLDERS’ EQUITY:

- a. On 25 March, 2008, the Company’s Board of Directors resolved to distribute dividends to its shareholders in the amount of \$921 thousand (\$0.48 per share).

AMIAD FILTRATION SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - SHAREOLDERS' EQUITY (continued):

b. Share options:

During the first half of 2008, 310,085 share options were exercised to the same amount of ordinary shares. The aggregate exercise amount of \$475 thousands was received during the financial report period.

c. Earnings per share

	6 months ended 30 June		Year ended 31 December,
	2008	2007	2007
	U.S. dollars in thousands		
	(Unaudited)	(Audited)	
Weighted average number of Ordinary shares outstanding (in thousands)			
Basic:			
Number of shares in the beginning of the period	18,873	18,873	18,873
Adjustments for exercise of options	196	-	-
Number of shares used for calculation of earnings per share -basic	19,069	18,873	18,873
Diluted:			
Number of shares used for calculation of earnings per share -basic	19,069	18,873	18,873
Adjustments for share options	155	200	151
Number of shares used for calculation of earnings per share -diluted	19,224	19,073	19,024
Net income attributable to equity holders of the parent	3,871	2,821	4,582
Basic earnings per share (in U.S. dollars)	0.203	0.149	0.243
Diluted earnings per share (in U.S. dollars)	0.201	0.148	0.241

AMIAD FILTRATION SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - EMPLOYEE INCNTIVE PLAN

During 2008, the board of directors approved a Bonus Scheme which will be available to staff members and members of Senior Management, including to three members of the board.

- a.** Senior Management - bonus scheme will be in operation in relation to financial year ending 31 December 2008 which will pay a bonus to the Senior Management team by reference to their monthly salary. The level of bonus payable will be depended on the achievement of targets as set out in the Bonus Scheme. The maximum total bonus liability for the Company is NIS 850,000.

Any bonus shall be paid following Board's approval of the 2008 financial statement in March 2009. If any member of Senior Management is not employed by the Company for the whole of the Bonus Year or is not employed at the bonus payment date, the payment of any bonus to that individual shall be subject to the absolute discretion of the Chairman and/or CEO of the Company.

- b.** Staff members - a discretionary bonus scheme will be in operation in relation to the financial year ending 31 December 2008 which will provide a bonus pool for Staff to recognize their contribution to the success of the business. The level of bonus payable will be dependent on the achievement of targets as set out in the Bonus Scheme. The amount of the bonus for the Staff will be calculated as a bonus pool, the amount in the pool being dependent on the achievement of the targets. The maximum bonus pool is NIS 1,650,000.

A portion of the bonus pool shall be paid to Kibbutz Amiad subject to the formula that is presented in the bonus scheme.

The bonus shall be paid, subject to the absolute discretion of management, following Board's approval of the 2008 financial statements in March 2009. As the payment of the bonus is fully discretionary, the Company reserves the right not to pay a bonus.

NOTE 5 - REVENUES FROM SALES

Sales by customer location:

	6 months ended		Year ended
	30 June		31 December,
	2008	2007	2007
	U.S. dollars in thousands		
	(Unaudited)		(Audited)
North America	11,257	7,383	14,761
Europe	8,616	6,433	14,705
Australia	6,333	4,761	8,827
East Asia	6,207	3,411	8,036
Israel	3,118	3,174	5,791
South America	3,285	1,831	3,707
Africa	657	444	1,128
Total	39,473	27,437	56,955

AMIAD FILTRATION SYSTEMS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - CONTINGENT LIABILITIES

On May 16, 2008, Amiad USA Inc. (hereafter- Amiad USA) received a settlement proposal demand letter from a counsel of a former employee of Amiad USA. The employee argues that she is entitled to payment of certain funds in the amount of \$ 4,000,000. The employee has agreed to arbitration of her claims with Amiad USA. Amiad USA is currently evaluating possible candidates to serve as arbitrators.

According to the legal counsel of Amiad USA it is too early at this stage to predict any outcome or potential liability.

The Company has included in its accounts an amount that it believes to be reasonable and sufficient in the event that it is required to pay any amount within the framework of the process.

NOTE 7 – SUBSEQUENT EVENTS

a. On July 10, 2008, the Company entered into a share purchase agreement (hereafter- share agreement) with the owners of a Turkish company (hereafter - the owners) to purchase 51% of its share capital.

In consideration for the purchase of the Turkish company's shares, the Company has agreed to pay \$1,290 thousands to the owners (hereto the "purchase price"), of which \$967,500 was paid on July 10, 2008. In addition to the purchase price the Company has agreed to pay the owners an amount equal to 50% of the income tax payable by the owners arising from the share agreement, but not more than \$125 thousands, until March 15, 2009.

The Company and the owners together provided \$600,000 to the Turkish company on July 10, 2008, to finance its working capital, pro-rata to their shareholding post the transaction.

The purchase of the shares was made through the Company's new subsidiary that was established in The Netherlands.

b. Dividend

On 14 September, the Company's Board of Directors has decided to declare a dividend out of the company's profit for the six months ended 30 June 2008 in the amount of \$ 671,398.

AMIAD FILTRATION SYSTEMS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - CASH FLOWS FROM OPERATIONS:

	6 months ended		Year ended
	30 June		31 December,
	2008	2007	2007
U.S. dollars in thousands			
	(Unaudited)		(Audited)
Profit for the period	3,887	2,907	4,764
Adjustments to reconcile net income to net cash used in operating activities:			
Income and expenses not involving cash flows:			
Depreciation and amortization	578	509	1,017
Interest paid	450	298	722
Income taxes paid	1,580	1,078	2,029
Share based payment	4	60	84
Deferred income taxes, net	2	(146)	(249)
Accrued severance pay, net	220	(3)	(233)
Exchange rate differences on borrowings	59	2	12
Loss (Gain) on sale of property and equipment	(3)	11	(3)
Gain from marketable securities, net	(6)	(12)	(193)
Exchange rate differences on borrowings to related party and others	(110)	3	(70)
	<u>6,661</u>	<u>4,707</u>	<u>7,880</u>
Changes in working capital:			
Increase in accounts receivable:			
Trade	(5,998)	(2,861)	(607)
Other	(477)	(613)	(1,476)
Increase (Decrease) in accounts payable:			
Trade	(1,136)	2,405	3,684
Other	1,267	328	2,059
Increase in inventories	(231)	(2,613)	(5,228)
	<u>(6,575)</u>	<u>(3,354)</u>	<u>1,568</u>
Cash generated from operations	<u>86</u>	<u>1,353</u>	<u>6,312</u>
Non-cash transaction - grant receivables regarding the purchase of Fixed assets	<u>(31)</u>	<u>(28)</u>	<u>(55)</u>