

10 September 2020

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



Interim Results

Amiad (AIM: AFS), a leading global producer of water treatment and filtration solutions, announces its interim results for the six months ended 30 June 2020.

Financial Summary

- Revenue of \$51.5m (H1 2019: \$58.4m)
- Gross margin improved to 40.1% (H1 2019: 39.2%)
- Operating profit increased to \$3.0m (H1 2019: \$2.5m)
- Profit before tax increased to \$3.0m (H1 2019: \$0.9m)
- Cash generated from operations increased to \$8.1m (H1 2019: \$3.7m)
- Net cash at 30 June 2020 of \$12.2m (31 December 2019: \$12.5m net debt; 30 June 2019: \$14.4m net debt), having raised gross proceeds of \$21.3m through a subscription and open offer
- Cash and cash equivalents at 30 June 2020 of \$27.8m (31 December 2019: \$15.0m; 30 June 2019: \$14.1m)

Operational Summary

- The Company took actions in response to COVID-19 to ensure that production continued in each territory throughout the period, in accordance with local regulations and health and safety procedures
- Total sales were lower due to reduced market activity as a result of COVID-19, including the postponement of new projects – however the Company has not received any order cancellations
 - The Company’s Irrigation business unit was more resilient while the Industrial business unit experienced a greater impact
- Sustained execution on strategy to improve operations:
 - Introduced further manufacturing automation and other process enhancements
 - Maintained tight cost control and introduced cost mitigation measures in response to the pandemic
- New Sigma product series, targeted at the Irrigation market, continued to perform well with sales increasing by 16.1%
- Secured a new five-year global distribution agreement with Netafim, the global leader in precision irrigation solutions, for Amiad’s disc filtration products for the irrigation market

Dori Ivzori, Chief Executive Officer of Amiad, said: “While our sales were lower for the period due to the postponement, as a result of the COVID-19 outbreak, of certain projects we had expected to secure, we are encouraged that we have not received any order cancellations. Moreover, thanks to the actions that we took at the end of 2019 to improve operational efficiency, we delivered strong cash generation from operations. During the first half, we were able to maintain production throughout the period and we continued to enhance our manufacturing processes. In addition, our financial position was significantly bolstered with the investment from FIMI – resulting in Amiad moving to a net cash position. Consequently, the fundamentals of our business were greatly strengthened during this period.

“Looking ahead, we entered the second half of 2020 with a higher backlog than at the same point of the prior year and the rate of new orders is robust. There remains uncertainty over the timing of when our markets will recover and the rescheduling of postponed projects in our various geographies and segments. However, we expect to continue to benefit from our measures to improve operational efficiency. Consequently, the Board anticipates revenue for full year 2020 to be lower than that for 2019, but operating profit to be significantly higher given the level of profit generated in the first half, albeit the Board is cautious on the outlook for the rest of the year given the uncertain macroeconomic environment. In addition, the Board believes that the current market conditions, in particular, could offer acquisition opportunities to accelerate our growth. As a result, the Board continues to look to the future with optimism.”

Enquiries

Amiad Water Systems Ltd.	
Dori Ivzori, Chief Executive Officer Avishay Afriat, Chief Financial Officer	+972 4 690 9500
Stifel Nicolaus Europe Ltd.	
Stewart Wallace, Ben Maddison	+44 20 7710 7600
Luther Pendragon	
Harry Chathli, Claire Norbury	+44 20 7618 9100

About Amiad

Amiad Water Systems (AIM: AFS) is a leading global producer of automatic, self-cleaning water treatment and filtration products and systems. Through its engineering skills and ability to innovate, Amiad provides cost-effective “green” solutions for irrigation and industrial purposes. In these markets, its unique and high-quality products are being integrated into the core of systems for filtration and water treatment, micro irrigation and membrane protection, wastewater and potable water treatment, cooling systems and sea water filtration. Headquartered in Israel, Amiad provides these solutions through ten subsidiaries and a comprehensive network of distributors to customers in more than 80 countries.

FIMI Opportunity Funds, the leading private equity investor in Israel, is a controlling shareholder of Amiad, with an interest in 39.6% of the Company’s outstanding issued share capital.

For additional information or product details, please visit www.amiad.com.

Operational Review

Amiad entered 2020 with a higher backlog than at the same point of the prior year and a solid pipeline. However, primarily in the second quarter, there was reduced activity and a postponement in the conversion of new projects in the pipeline to orders across the Company's markets due to the economic uncertainty caused by the COVID-19 outbreak. As a result, revenue for the period was lower at \$51.5m (H1 2019: \$58.4m). Nonetheless, the Company is encouraged that it has not received any order cancellations of a material nature.

Notwithstanding the impact of the pandemic on sales, as a result of the successful execution on its strategy to improve its operations, which was initiated at the end of 2019, the Company achieved a strong financial performance during the period, with net cash generated from operations increasing by 118.8% to \$8.1m (H1 2019: \$3.7m). This was also supported by the Company's effective response to the COVID-19 outbreak to implement cost mitigation measures, including the Board of Directors agreeing to a voluntary reduction in their remuneration until at least year end. In addition, the financial position of the Company was strengthened through raising gross proceeds of \$21.3m via a subscription by the Company's significant shareholder, FIMI Opportunity Funds ("FIMI"), and an open offer.

In response to COVID-19, alongside implementing cost mitigation measures, the Company acted to ensure the safety of its employees and complied with the regulatory requirements in each of its territories, while preserving business continuity as far as possible. Throughout the period, production continued in each territory and the Company took measures to ensure it could still deliver products to its customers, as far as circumstances allowed.

In addition, during the first half of the year, Amiad continued to strengthen the fundamentals of the business and invest in securing future growth. The Company introduced manufacturing automation in its metal department along with other process enhancements. Amiad conducted R&D into improving existing products as well as new product development. The Company also signed a new five-year global distribution agreement with Netafim, the global leader in precision irrigation solutions, for the Company's disc filtration products for the irrigation market, which extends the existing long-term strategic relationship between the two companies. This agreement provides Amiad with continued access to Netafim's extensive distribution network, covering over 110 countries, which the Company believes will yield significant revenue over the five-year period. Netafim represents a material contributor to the Company's sales in the irrigation market and management believes this new agreement will be particularly important in supporting the launch of future products.

Performance by Segment

Amiad has two business units: Irrigation and Industry. Revenue generated under the Company's distribution agreement with Netafim, whereby Netafim sells Amiad's irrigation products, contributes to the Irrigation business unit sales. The Industry business unit comprises sales into the Petrol, Petrochemical, Oil & Gas ("PPOG"), Municipal and General (other industry) segments.

Irrigation

The Irrigation business unit generated \$30.3m in the first half of 2020 (H1 2019: \$33.4m), accounting for 58.9% of the Company's revenue (H1 2019: 57.2%). This primarily reflects growth in the US and China being offset by reductions elsewhere. In particular, revenue generated under the Netafim agreement was \$9.5m compared with \$12.3m for the first half of 2019.

The Company's latest product series targeted at the irrigation market, which was launched in 2018 – consisting of the innovative Sigma Pro, Mini Sigma and ADI-P controller – continued to perform well with sales increasing by 16.1% over the same period of the previous year.

Industry

The Industry business unit generated \$21.2m for the first half of 2020 (H1 2019: \$25.0m), accounting for 41.1% of the Company's revenue (H1 2019: 42.8%). This reflects lower revenue in all segments with the Industry business unit and in all geographies except Singapore.

The Municipal segment accounted for 31.3% of the Industry business unit's sales (H1 2019: 28.1%); the PPOG segment accounted for 16.0% (H1 2019: 16.2%); and other industry accounted for 52.7% (H1 2019: 55.6%).

Performance by Region

Americas

The Americas region includes sales by Amiad's subsidiaries in the US and Mexico as well as sales from the Company's headquarters in Israel into Latin America. In the Americas, Amiad delivered sales of \$14.1m (H1 2019: \$15.2m), which accounted for 27.5% of total Company revenue (H1 2019: 26.1%).

In its key geography of the US, sales were \$12.6m (H1 2019: \$13.5m), reflecting growth in the Irrigation business unit to \$7.8m (H1 2019: \$7.0m) offset by a reduction in the Industry business unit to \$4.8m (H1 2019: \$6.5m). Within the Industry unit in the US, sales in the Municipal segment were \$2.8m (H1 2019: \$3.8m); sales in the PPOG segment were \$0.9m (H1 2019: \$1.4m); and other industry sales were \$1.1m (H1 2019: \$1.3m). The produced water market (within the PPOG segment), which the Company had targeted for growth in 2020, remained depressed as a result of the low oil price, and the Company redirected its efforts to the other segments. However, Amiad continues to believe that this segment offers significant potential once market conditions improve.

In Latin America, sales were \$1.5m for the first half of 2020 compared with \$1.8m for the first half of the prior year. This reflects a decrease in the Industry business unit to \$0.4m (H1 2019: \$0.8m) and a slight increase in sales in the Irrigation business unit at \$1.1m (H1 2019: \$1.0m).

EMEA

The EMEA region includes sales by Amiad's subsidiaries in France (Amiad Europe), Turkey and the UK as well as the domestic sales of the Company's headquarters in Israel and also into Europe, the Middle East and Africa.

Revenue in EMEA was \$15.4m (H1 2019: \$16.9m). In the Industry business unit, revenue was \$7.8m (H1 2019: \$8.7m) as a reduction in other industry sales at \$4.7m (H1 2019: \$7.3m) offset growth in the Municipal segment to \$2.6m (H1 2019: \$0.8m) and flat sales in PPOG at \$0.6m (H1 2019: \$0.6m). Irrigation business unit revenue was \$7.6m (H1 2019: \$8.2m). Geographically, reductions in Amiad Europe and Turkey offset growth in Amiad UK, Israel and from the Company headquarters into EMEA.

APAC

The APAC region includes sales by Amiad's subsidiaries in Australia, China, India and Singapore as well as sales from the Company's headquarters in Israel into the Asia-Pacific geography.

Revenue in APAC was \$12.5m (H1 2019: \$14.0m), with Industry business unit sales of \$8.2m (H1 2019: \$9.1m) and Irrigation business unit sales of \$4.3m (H1 2019: \$4.9m). Within the Industry business unit, reduced sales in the Municipal segment at \$1.2m (H1 2019: \$2.4m) and PPOG at \$1.9m (H1 2019: \$2.0m) offset an increase in other industry sales to \$5.1m (H1 2019: \$4.7m). Geographically, growth in Singapore was offset by reductions elsewhere. Australia continued to be the overall largest contributor to regional revenue, accounting for 48.4% of total sales (H1 2019: 54.8%).

Financial Review

Revenue for the six months to 30 June 2020 was \$51.5m compared with \$58.3m for the first half of 2019. The reduction was due to reduced market activity and some customers postponing new projects that the Company had expected to convert to orders as a result of the economic uncertainty caused by the COVID-19 outbreak.

Gross margin improved to 40.1% (H1 2019: 39.2%) as the Company began to benefit from the actions taken at the end of 2019 to increase operational efficiency. Gross profit was \$20.6m (H1 2019: \$22.9m) due to the lower revenue.

As a result of the actions taken at the end of 2019 to improve efficiency combined with the cost mitigation measures implemented in response to the COVID-19 outbreak, total operating costs were significantly reduced to \$17.6m (H1 2019: \$20.4m). Sales and marketing costs were reduced to \$11.4m (H1 2019: \$14.0m); administrative and general expenses were reduced to \$4.5m (H1 2019: \$4.7m); and R&D costs were slightly lower at \$1.7m (H1 2019: \$1.8m).

Operating profit increased by 22.1% to \$3.0m (H1 2019: \$2.5m) as a result of the reduction in expenses, which more than offset the lower revenue. Net finance costs were immaterial (\$0.008m) for the period compared with net finance costs of \$1.5m for the first half of 2019. This primarily reflects finance income due to foreign exchange hedging and favourable interest rates during the period combined with significant financial expenses in the first half of 2019 from the implementation of IFRS 16. In addition, during the period, the Company raised gross proceeds of \$21.3m via a subscription by its significant shareholder, FIMI, and open offer for 7,652,174 new ordinary shares. The proceeds of the fund raise were used to reduce the Company's bank credit and short-term borrowing by \$9.1m with the remainder generating interest from being bank deposits. Consequently, the Company generated \$7.2m from financing activities during the period compared with using \$0.5m for the first half of 2019.

As a result of the lower net finance costs, profit before tax for the first half of 2020 increased by 218.5% over the same period of 2019 to \$3.0m (H1 2019: \$0.9m).

Net profit for the period increased by 402.8% to \$2.7m (H1 2019: \$0.5m), with slightly lower income tax expenses of \$0.3m (H1 2019: \$0.4m). Fully diluted earnings per share was \$0.07 (H1 2019: \$0.03).

Net cash generated from operations increased by 118.8% to \$8.1m (H1 2019: \$3.7m), reflecting the increased profitability and improvements in stock management and working capital, which generated \$2.2m of incremental cash flow, partly due to measures implemented in response to COVID-19 and to a certain extent from the lower revenues.

Net cash used in investing activities was reduced to \$1.2m (H1 2019: \$2.5m). This primarily reflects lower investment in equipment at \$0.9m (H1 2019: \$2.2m) due to some product launch and machine installation delays as a result of the pandemic.

At 30 June 2020, cash and cash equivalents were \$27.8m (31 December 2019: \$15.0m; 30 June 2019: \$14.1m). As a result of the fund raise and increased cash from operations, the Company had net cash of \$12.2m at period end compared with net debt of \$12.5m at 31 December 2019 and \$14.4m at 30 June 2019.

Outlook

Amiad entered the second half of 2020 with a higher backlog than at the same point of the prior year and the Company has not received any order cancellations of a material nature. The rate of new orders has remained robust, but slightly below that of the prior year with the potential that a proportion of these orders will be delivered in 2021. There remains uncertainty over the timing of market recovery and rescheduling of postponed projects in Amiad's various geographies and segments, with the oil & gas market, in particular, expected to continue to be depressed into next year. However, the Company is encouraged that China, having been the Company's first territory to be impacted by the pandemic, is now performing well and the Company expects to recover a large proportion of the losses of the first half by year end in that subsidiary.

As a result of the actions taken at the end of 2019 and during the period to improve the Company's operational efficiency, the fundamentals of the business are solid and the Company expects to maintain gross margin for the full year. However, the Company is keeping under review the impact of the currency markets.

Consequently, the Board of Amiad expects revenue for full year 2020 to be lower than that for 2019, but operating profit to be significantly higher given the level of profit generated in the first half, albeit the Board is cautious on the outlook for the rest of the year given the uncertain macroeconomic environment. Amiad continues to invest in R&D to develop new and improved products and expand the Company's offering to gain market share, particularly in Irrigation and in the US. Additionally, with the investment from FIMI as well as the strong cash generation during the period, the Company is well-capitalised and the Board believes that the current market conditions, in particular, could offer acquisition opportunities to accelerate the growth of the Company. As a result, the Board continues to look to the future with optimism.

AMIAD WATER SYSTEMS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020

	June 30	December 31,	
	2020	2019	2019
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	27,835	14,055	14,991
Financial assets at fair value through profit or loss	799	262	54
Trade and other receivables:			
Trade	34,605	41,212	35,503
Other	5,869	4,868	7,945
Current income tax assets	395	514	502
Inventories	26,653	29,240	27,682
TOTAL CURRENT ASSETS	96,156	90,151	86,677
NON-CURRENT ASSETS:			
Investment in joint venture	-,-	-,-	-
Severance pay fund, net	227	164	227
Long-term receivables	76	64	108
Property, plant and equipment	12,501	11,901	12,824
Intangible assets	11,970	13,058	12,100
Right of use assets	19,141	21,503	20,704
Deferred income tax assets	3,008	2,536	2,676
TOTAL NON-CURRENT ASSETS	46,923	49,226	48,639
TOTAL ASSETS	143,079	139,377	135,316

Date of approval of the interim financial information by the Company's Board of Directors: September 9, 2020

AMIAD WATER SYSTEMS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020

	June 30	December 31,	
	2020	2019	2019
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Liabilities and equity			
CURRENT LIABILITIES:			
Bank credit and current maturities of borrowings from banks	4,411	18,790	17,589
Financial liabilities at fair value through profit or loss – derivatives	-,	20	-
Trade and other payable:			
Trade	13,225	16,101	13,899
Other	12,267	10,420	13,384
Operating lease liabilities	3,096	3,843	3,096
Current income tax liability	472	265	24
TOTAL CURRENT LIABILITIES	33,471	49,439	47,992
NON-CURRENT LIABILITIES:			
Borrowings from banks (net of current maturities)	11,193	9,623	9,866
Liability for royalty payment	-,	1,058	-
Remeasurements of post-employment benefit obligations, net	386	387	405
Operating lease liabilities	17,794	18,608	19,285
Deferred income tax liabilities	103	12	179
TOTAL NON-CURRENT LIABILITIES	29,476	29,688	29,735
TOTAL LIABILITIES	62,947	79,127	77,727
EQUITY -			
Capital and reserves attributable to equity holders of the Company:			
Share capital	3,897	2,801	2,801
Capital reserves	48,774	28,828	28,874
Transaction with non-controlling interest	(416)	(416)	(416)
Currency translation reverse	(8,953)	(7,751)	(8,160)
Retained earnings	34,019	33,725	31,762
	77,321	57,187	54,861
NON-CONTROLLING INTERESTS	2,811	3,063	2,728
TOTAL EQUITY	80,132	60,250	57,589
TOTAL LIABILITIES AND EQUITY	143,079	139,377	135,316

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

AMIAD WATER SYSTEMS LTD.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

	Six months ended June 30		Year ended December 31,
	2020	2019	2019
	(Unaudited)		(Audited)
	U.S dollars in thousands except per share data		
Revenue	51,537	58,387	115,585
Cost of sales	30,877	35,507	70,628
Gross Profit	20,660	22,880	44,957
Research and development, net	1,708	1,766	3,567
Selling and marketing costs	11,386	13,995	28,523
Administrative and general expenses	4,545	4,682	9,844
Other gains	(5)	(42)	(113)
Operating Profit	3,026	2,479	3,136
Finance income	1,609	534	755
Finance costs	(1,617)	(2,066)	(3,812)
Finance costs, net	(8)	(1,532)	(3,057)
Profit (loss) before income taxes	3,018	947	79
Income tax expense	278	402	974
Profit (loss) for the period	2,740	545	(895)
Other comprehensive income (loss)-			
Items that will not be reclassified to profit or loss:			
Re-measurements of post-employment benefit obligations	-,-	-,-	42
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	(1,193)	(618)	(1,133)
Other comprehensive loss for the period	(1,193)	(618)	(1,091)
Total comprehensive income (loss) for the period	1,547	(73)	(1,986)
Profit (loss) attributable to:			
Equity holders of the Company	2,257	151	(1,854)
Non-controlling interests	483	394	959
	2,740	545	(895)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	1,464	(220)	(2,592)
Non-controlling interest	83	147	606
	1,547	(73)	(1,986)
Earnings per share attributable to the equity holders of the company during the period:			
Basic	0.074	0.026	(0.082)
Diluted	0.073	0.026	(0.081)

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

AMIAD WATER SYSTEMS LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

		Attributable to owners of the parent							
	Number of shares	Share capital	Capital reserve	Currency translation reserve	Transaction with non- controlling interest	Retained earnings	Total	Non- controlling interest	Total equity
					U.S dollars in thousands				
BALANCE AT JANUARY 1, 2020 (audited)	22,698,743	2,801	28,874	(8,160)	(416)	31,762	54,861	2,728	57,589
CHANGES DURING THE SIX MONTHS									
ENDED JUNE 30, 2020 (unaudited):									
Comprehensive income:						2,257	2,257	483	2,740
Profit for the period									
Currency translation differences				(793)			(793)	(400)	(1,193)
TOTAL COMPREHENSIVE INCOME				(793)		2,257	1,464	83	1,547
Transaction with owners:									
Recognition of compensation related employee stock and option grants									
Exercise of options			40				40		40
Issuance of shares	7,652,174	1,096	19,860				20,956		20,956
TOTAL TRANSACTIONS WITH OWNERS	7,652,174	1,096	19,900	(793)		2,257	22,460	83	22,543
BALANCE AT JUNE 30, 2020 (unaudited)	30,350,917	3,897	48,774	(8,953)	(416)	34,019	77,321	2,811	80,132

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

AMIAD WATER SYSTEMS LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

	Attributable to owners of the parent								
	Number of shares	Share capital	Capital reserve	Currency translation reserve	Transaction with non- controlling interest	Retained earnings	Total	Non- controlling interest	Total equity
					U.S dollars in thousands				
BALANCE AT JANUARY 1, 2019 (audited)	22,679,112	2,800	28,781	(7,380)	(416)	33,574	57,359	2,916	60,275
CHANGES DURING THE SIX MONTHS ENDED JUNE 30, 2019 (unaudited):									
Comprehensive income:									
Profit for the period						151	151	394	545
Currency translation differences				(371)			(371)	(247)	(618)
TOTAL COMPREHENSIVE INCOME				(371)		151	(220)	147	(73)
Transaction with owners:									
Recognition of compensation related employee stock and option grants			48				48		48
Exercise of options	8,563	1	(1)				-,-		-,-
TOTAL TRANSACTIONS WITH OWNERS	8,563	1	47				48		48
BALANCE AT JUNE 30, 2019 (unaudited)	22,687,675	2,801	28,828	(7,751)	(416)	33,725	57,187	3,063	60,250

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

AMIAD WATER SYSTEMS LTD.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

	Attributable to owners of the parent								
	Number of shares	Share capital	Capital reserve	Currency translation reserve	Transaction with non- controlling interest	Retained earnings	Total	Non- controlling interest	Total equity
	U.S dollars in thousands								
BALANCE AT JANUARY 1, 2019 (audited)	22,679,112	2,800	28,781	(7,380)	(416)	33,574	57,359	2,916	60,275
Comprehensive income (loss):									
Profit (loss) for the year						(1,854)	(1,854)	959	(895)
Currency translation differences				(780)			(780)	(353)	(1,133)
Remeasurement of net defined benefit Liability						42	42		42
TOTAL COMPREHENSIVE INCOME (LOSS)				(780)		(1,812)	(2,592)	606	(1,986)
TRANSACTION WITH OWNERS:									
Recognition of compensation related to Employee stock and options grants			94				94		94
Exercise of options	19,631	1	(1)						
Acquisition of non-controlling interest									
Dividend to non-controlling interest								(794)	(794)
Dividend (\$0.028 per share)									
TOTAL TRANSACTION WITH OWNERS	19,631	1	93				94	(794)	(700)
BALANCE AT DECEMBER 31, 2019	22,698,743	2,801	28,874	(8,160)	(416)	31,762	54,861	2,728	57,589

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

AMIAD WATER SYSTEMS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

	Six months ended June 30		Year ended December 31,
	2020	2019	2019
	(Unaudited)		(Audited)
	U.S dollars in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations (see note 5)	9,680	3,949	12,893
Interest paid	(988)	(156)	(957)
Interest received	25	38	176
Income tax paid	(587)	(115)	(588)
Net cash generated from operating activities	8,130	3,716	11,524
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(875)	(2,160)	(4,307)
Purchase of intangible assets	(482)	(379)	(1,150)
Restricted deposit	174	(1)	(10)
Proceeds from sale of property, plant and equipment	22	50	72
Net cash used in investing activities	(1,161)	(2,490)	(5,395)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Receipt of long-term borrowings	1,313	4,267	
Dividends paid to non-controlling interest	-,-	-,-	(794)
Payments of operating lease liabilities	(2,036)	(1,554)	(3,578)
Issuance of shares	20,956	-,-	-,-
			(7,562)
Payments of long-term borrowings	(3,949)	(3,786)	
Receipt of long-term borrowings	-,-	-,-	8,634
Increase (decrease) in bank credit and short-term borrowing, net	(9,131)	613	(797)
Net cash generated from (used in) financing activities	7,153	(460)	(4,097)
EXCHANGE RATE LOSS ON CASH AND CASH EQUIVALENTS	(1,278)	(237)	(567)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,844	529	1,465
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,991	13,526	13,526
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27,835	14,055	14,991

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

AMIAD WATER SYSTEMS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION:

- a. Amiad Water Systems Ltd. (hereafter –"the Company") and its subsidiaries (together- the Group) is a producer and global supplier of water filters and filtration systems used mainly in the industrial, municipal and irrigation markets.
- b. The Company was incorporated in Israel in June 1997. The address of its registered office is Kibbutz Amiad, Israel. The Company is traded in the Alternative Investment Market in London (AIM), a part of the London Stock Exchange, since December 2005. The principal shareholders of the Company, as of the report release date, are FIMI Israel Opportunity 6, Limited Partnership and FIMI Opportunity 6, L.P. (together "FIMI Investment Funds") that collectively hold 39.55% of the Company's outstanding shares, HaChoshlim Foundation – Agricultural Cooperative Society for Business Ltd. (hereafter "HaChoshlim Foundation") that holds 30.53% of the Company's outstanding shares through A.M.S.I. Investments Ltd. (hereafter - "AMSI") and Kibbutz Amiad (hereafter -The "Kibbutz") and affiliate of Hachoshlim Foundation, that holds directly 2.3% of the company's outstanding shares.

These group consolidated financial statement were authorized for issue by board of directors on September 9, 2020.

NOTE 2 - BASIS OF PREPARATION:

- a. These condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS.

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

b. Estimates

The preparation of interim financial statements requires management to exercise its judgment; it also requires the use of accounting estimates and assumptions that affect the application of the group's accounting policy and the amounts of reported assets, liabilities, income and expenses. Actual results may differ from those estimates.

In preparation of these condensed consolidated interim financial statements, the significant judgments that were exercised by the management in applying the group's accounting policy and the key sources of estimation uncertainty were similar to those applied in the consolidated annual financial statements for the year ended December 31, 2019.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies and computation methods used in preparing the interim financial information are consistent with those used in preparing the 2019 annual financial statements.

AMIAD WATER SYSTEMS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

NOTE 4 - REVENUES FROM SALES:

Sales by customer location:

	Six months ended June 30		Year ended December 31,
	2020	2019	2019
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
North America	13,785	15,265	29,401
Europe	10,628	11,520	21,523
Australia	6,735	7,660	15,135
Israel	5,454	4,983	9,453
South America	3,267	3,650	7,152
Africa	1,983	2,388	4,540
Middle East	1,494	2,805	6,665
The Far East	8,191	10,116	21,716
Total	<u>51,537</u>	<u>58,387</u>	<u>115,585</u>

AMIAD WATER SYSTEMS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

NOTE 5 - CASH FLOWS FROM OPERATIONS:

APPENDIX A:

	Six months ended June 30		Year ended December 31,
	2020	2019	2019
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
Profit for the period	2,740	545	(895)
(a) Adjustments to reconcile net income to net cash generated from operating activities:			
Depreciation and amortization	3,306	3,065	6,532
Interest paid	988	156	957
Interest received	(25)	(38)	(176)
Income taxes paid, net	587	115	588
Share-based payment, net	40	48	94
Increase in deferred income taxes, net	(420)	163	192
Accrued severance pay, net	2	47	48
Exchange rate differences and interest accrued on borrowings and other liabilities	1,078	1,208	2,154
Loss (profit) from sale of property, plant and equipment	1	(26)	(25)
Decrease (increase) in assets at fair value through profit or loss	(789)	(264)	15
	<u>4,768</u>	<u>4,474</u>	<u>10,379</u>
Changes in working capital:			
Decrease (increase) in accounts receivable:			
Trade	171	(4,328)	1,139
Other	1,564	(113)	(3,318)
Decrease (increase) in long-term receivable	3	208	192
Increase (decrease) in accounts payable:			
Trade	(178)	1,874	(191)
Other	(113)	(348)	2,521
Decrease (increase) in inventories	725	1,637	3,066
	<u>2,172</u>	<u>(1,070)</u>	<u>3,409</u>
Cash generated from operations	<u><u>9,680</u></u>	<u><u>3,949</u></u>	<u><u>12,893</u></u>

AMIAD WATER SYSTEMS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

NOTE 6 - EFFECT OF CORONAVIRUS (COVID-19):

In late 2019, a novel strain of coronavirus (COVID-19), originating from China, spread worldwide. So far, during 2020, the COVID-19 pandemic has negatively impacted the global economy and created significant volatility, uncertainty and disruption of financial markets.

The various precautionary measures taken by many governmental authorities around the world in order to limit the spread of the coronavirus has affected, and could have an adverse effect on, the global markets and its economy, including the demand for consumables, products and services, as well as on the availability and pricing of employees, resources, materials, manufacturing and delivery efforts and other aspects of the global economy.

As a result of COVID-19 and its severe worldwide economic impact on demands, the Company expects the revenue for the year ending December 31, 2020 to be lower than the revenue for the year ending December 31, 2019.

In the wake of the crisis, the Company took various steps to cope with the decline in revenue. The moves included, among others, payroll cuts, including placing employees on unpaid leave, reducing marketing activities and other expenses.

The Company believes that there is no concern about its ability to repay financial liabilities

The Company continues to monitor and conduct regular assessments of the development of the crisis, examine its exposure and impact on the Company's activities, and take steps as required.