

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all your shares in Amiad Filtration Systems Ltd., please send this document and the accompanying documents to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **Amiad Filtration Systems Ltd.**

(Registered in Israel under company number 51-249769-4)

## **NOTICE OF ANNUAL GENERAL MEETING**

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Notice of the annual general meeting to be held at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX, England, on Wednesday, 29 July 2009 commencing at 11.00am is set out on pages 6 and 7 of this circular. Copies of this document will be available to the public from its date until the date of the annual general meeting at the offices of Panmure Gordon (Broking) Limited, Moorgate Hall, 155 Moorgate, London EC2M 6XB, England.

**AMIAD FILTRATION SYSTEMS LTD.**

(incorporated and registered in Israel under company no 51-249769-4)

Registered Office:  
DN Galil Elyon 1  
12335  
Israel

19 June 2009

**To Shareholders (with a copy, for information only, to the holders of options over shares in the Company)**

Dear Shareholder

**Annual General Meeting: Wednesday, 29 July 2009**

You are cordially invited to attend the annual general meeting (the "AGM") of Amiad Filtration Systems Ltd. (the "Company") to be held at 11.00am on Wednesday, 29 July 2009 at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX, England. The notice of AGM (which includes the resolutions to be proposed at the meeting) (the "Notice") is set out on pages 6 and 7 of this document, together with a form of proxy or (if you are a holder of depository interests in the Company) a form of direction.

The business to be conducted at the AGM will be to consider and, if thought fit, pass resolutions:

- to receive the Company's annual report and accounts for the year ended 31 December 2008 (the "Report and Accounts");
- to re-appoint Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, as the Company's auditors and to authorise the directors of the Company to fix their remuneration;
- to re-elect the following directors of the Company who retire in accordance with the Company's articles of association (the "Articles") and who in each case being eligible, offer themselves for re-election, to hold office until the conclusion of the next annual general meeting:

Mr Tal Yeshua  
Mr Dan Falk  
Mr Zeev Holender  
Mr Harel Beit-On  
Dr Izhar Ben-Shlomo  
Ms Osnat Ronen;

- to appoint Mr Arik Dayan as a director of the Company;
- to approve the entering into of the exemption and indemnification agreement between the Company and Mr Dayan, in a form to be produced to the AGM (which is substantially in the form previously approved by the shareholders of the Company in respect of existing directors);
- to approve the terms of the Company's bonus scheme for members of senior management, in the form set out in appendix 1 to this circular (the "Bonus Scheme");

- to approve a bonus of NIS 60.000 for Tal Yeshua, the chairman of the Board, in respect of the Year 2008; and
- To authorise the Company to extend its directors' and officers' liability insurance policy in the current level of expenses.

As the Company is not a UK company, it is not required to produce a separate directors' remuneration report for approval by the shareholders in accordance with the Directors' Remuneration Report Regulations 2002.

Further information on the resolutions and the voting arrangements is set out below.

### **Resolution 1 (receipt of the Report and Accounts)**

This resolution provides for the receipt of the Report and Accounts.

### **Resolution 2 (re-appointment of auditors)**

This resolution provides for the re-appointment of Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, as auditors of the Company.

### **Resolutions 3 to 8 (re-election of directors)**

In accordance with the Articles, all of the directors (other than Michael Rosenberg OBE and Simon Olswang, being the statutory external directors of the Company under Israeli law) will automatically retire at the AGM and, being eligible, offer themselves for re-election. Biographical details of each of the directors seeking re-election are contained in the Report and Accounts (including, where relevant, their membership of the Company's audit committee).

### **Resolution 9 (election of Mr Arik Dayan)**

Mr Arik Dayan is being proposed for election as an executive director of the Company.

Mr Dayan entered into an employment agreement with the Company dated 2 June 2009 in respect of his employment as the Company's Chief Executive Officer ("CEO") as of 1 April 2009. Pursuant to the terms of the agreement, both the Company and Mr Dayan may terminate the agreement at any time on giving to the other party not less than 6 months' prior written notice. The Company may also terminate the agreement immediately for cause (as defined in the agreement) by giving Mr Dayan written notice. Mr Dayan is entitled to receive a monthly salary of NIS 55,000 (gross) during the first 12 months of the term of the agreement and a monthly salary of NIS 65,000 (gross) as of the first month after the first 12 months of the term has ended. The agreement also contains certain non-compete covenants from Mr Dayan in favour of the Company. Mr Dayan's appointment to the board is subject to the approval of the AGM and will take effect after such approval is granted. This is because, under Israeli law, the appointment of a person as CEO does not automatically entitle that person be a member of the board of directors and so he needs to be appointed separately.

Mr. Dayan was appointed as CEO after having held various senior positions at the Company since joining it in 1997 as the General Manager of FCS, Amiad's Singapore subsidiary. These positions included being appointed as International Business Development Executive in September 2003 and as VP of Sales and Marketing in March 2004. Mr Dayan was part of the senior executive team that met with investors at the time of the Company's IPO in December 2005. In mid 2007, he became the Deputy CEO and Senior VP of Sales and Marketing. Immediately prior to joining Amiad, Mr Dayan was the Director of Sales and Marketing at Epilady.

Mr Dayan holds a BA in Economics and Business Administration.

### **Resolution 10 (approval of the exemption and indemnification agreements)**

This resolution authorises the Company to enter into an exemption and indemnification agreement between the Company and Mr Dayan, in a form to be produced to the AGM.

The exemption and indemnification agreement is on substantially the same terms and conditions as the exemption and indemnification agreements which the Company previously entered into with other directors. Exemption and indemnification agreements are commonly entered into by Israeli publicly-traded companies with their directors/other office holders.

### **Resolution 11 (approval of the terms of the Bonus Scheme)**

The Company is proposing to introduce the Bonus Scheme which will be available to members of senior management, including one member of the board (Mr Dayan, subject to the approval of his election to the board). Following the approval of the terms of the Bonus Scheme by the audit committee and the board of directors, the terms of the scheme will also need to be approved at this meeting.

Resolution 11 therefore provides for the approval of the terms of the Bonus Scheme in the form set out in appendix 1 to this circular.

### **Resolution 12 (approval of a special bonus to Mr Yeshua)**

Mr Yeshua was appointed to the Board on February 2008 and has been the chairman of the Board since May 2008. It is proposed to pay him a bonus of NIS 60.000 in respect of the year 2008.

### **Resolution 13 (extension of D&O insurance policy)**

This resolution authorises the Company to extend its directors' and officers' liability insurance policy for an additional 12-month period ending 31 July, 2010, in the current level of expenses.

### **Voting requirements**

In relation to each of resolutions 1 to 13 (inclusive), a simple majority of the voting power of the Company represented at the meeting in person or by proxy and voting thereon must be in favour of the resolution in order for it to be validly passed. Every member who votes whether present in person or by proxy, shall have one vote for each share held by him of record, on every resolution.

### **Documents available for inspection**

The employment agreement and the draft indemnification agreement between the Company and Mr Dayan will be available for inspection at offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX, England from the date of this document until the date of the AGM and at the AGM from 10.45am until the conclusion of the meeting.

### **Form of proxy/Form of direction**

As mentioned above, you will also find enclosed with this document a form of proxy (unless you are a holder of depository interests in the Company, in which case you will receive a form of direction) for use at the AGM.

If you are a member of the Company, whether or not you intend to be present at the meeting, you are requested to complete and return the form of proxy (in accordance with the instructions set out in that document) to the Company's transfer agent, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, as soon as possible and in any event so as to be received by the Company's transfer agent not less than 24 hours before the time fixed for the meeting or any adjourned meeting. Completion and return of a form of proxy will not prevent you from attending the meeting and voting in person, if you so wish.

If you are a holder of depository interests representing ordinary shares in the Company, please complete and return the form of direction (in accordance with the instructions set out in that document) to the Company's transfer agent, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, as soon as possible and in any event so as to be received by the Company's transfer agent by no later than 72 hours before the time fixed for the meeting or any adjourned meeting.

**Directors' recommendation**

The Directors believe that the adoption of each of the resolutions to be proposed at the AGM is in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend that you vote in favour of each resolution as they intend to do in respect of their own beneficial holdings.

Yours faithfully

**Tal Yeshua**  
**Chairman**