

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.

Amiad Filtration Systems Ltd.

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

NOTICE OF ANNUAL GENERAL MEETING

Notice of the annual general meeting of Amiad Filtration Systems Ltd. to be held at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX, England, on Wednesday, 28 July 2010 commencing at 11.00am (London time) is set out at the end of this document. Shareholders are urged to complete and return the enclosed Proxy Form, in accordance with the instructions printed thereon, as soon as possible and, in any event, so as to be received by Capita Registrars Limited, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as indicated in the Notice no later than 24 hours before the time fixed for the meeting. Completion and return of the Proxy Form will not preclude Shareholders from attending the meeting and voting in person should they subsequently wish to do so. 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

17 June 2010

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

Dear Shareholder and holders of depository interests

Annual General Meeting: Wednesday, 28 July 2010

You are cordially invited to attend the annual general meeting (the "AGM") of Amiad Filtration Systems Ltd. (the "Company") to be held at 11.00 am on Wednesday, 28 July 2010 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 2009 (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
Mr Arie Dayan;

- to appoint Mr Amos Shalev as a director of the Company;
- to approve the terms of appointment and remuneration of Mr Amos Shalev as a director of the Company, as set out in his draft letter of appointment to be entered into by the Company and Mr Amos Shalev;
- to approve the entering into of an indemnification agreement between the Company and Mr Shalev, 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 an increase in the monthly gross remuneration of the Chairman of the Board, Mr Tal Yeshua, from NIS 27,300 to NIS 45,000 with effect retrospectively from 1 January 2010;
- to approve a bonus of NIS 250,000 for Mr Tal Yeshua in respect of the year 2009; and
- to authorise the Company to extend its directors' and officers' liability insurance policy for an additional 12 month period ending on 31 July, 2011, 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 to hold office until the conclusion of the next general meeting of the Company at which accounts and reports of the Company are received and to authorise the directors of the Company to fix their remuneration.

Resolutions 3 to 9 (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 10 (election of Mr Amos Shalev)

Mr Amos Shalev is being proposed for election as a non-executive director of the Company.

Mr Shalev, aged 67, serves as business development manager in Bermad Industries A.C.S. Ltd and in Kibbutz Evron. Mr Shalev started serving in Bermad in 1975 as its general manager, later as international marketing manager and in his current position since 1998. Mr Shalev has also been the export departments' manager of the Kibbutz Industries Association since 2004.

Mr Shalev is currently a director in Bermad Industries A.C.S. Ltd (and its subsidiaries and affiliated corporations), The Israel Export Institute and Evron-Tamam Recycling Limited Partnership (Part of Veolia Israel) and has served as a director on the board of directors of Miluot – a Company for The Development of Haifa's Bay Farms Ltd. and Arkal Filtration Systems A.C.S. Ltd.

The board of directors of the Company does not regard Mr Shalev as being an independent non-executive director for the purposes of the Combined Code. As mentioned above, Mr Shalev serves as business development manager of Bermad, which holds, as at the date of this document, approximately 9.14% of the Company's issued share capital and is a party to a shareholders agreement with Kibbutz Amiad, pursuant to which the parties thereto shall vote their shares together at all meetings of the shareholders of the Company, as shall be agreed among them or in the absence of agreement as shall be decided by Kibbutz Amiad.

Resolution 11 (approval of the terms of engagement of Mr Amos Shalev)

Following the approval of the audit committee and the board of directors of the Company, this resolution approves the terms of appointment and remuneration of Mr Amos Shalev as a director of the Company, as set out in his draft letter of appointment to be entered into by the Company and Mr Shalev, a copy of which will be produced to the AGM. Mr Shalev will be paid a basic sum of NIS 48,000 (gross) per annum plus a sum of NIS 4,000 (gross) per each meeting of the board of directors or any meeting of a board committee which he attends.

Resolution 12 (approval of the exemption and indemnification agreement)

This resolution authorises the Company to enter into an exemption and indemnification agreement between the Company and Mr Shalev, 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.

The entering into of the exemption and indemnification agreement with Mr Shalev was approved by the audit committee and the board of directors of the Company.

Resolution 13 (increase in the remuneration of Mr Yeshua)

This resolution provides for the approval of an increase in Mr Tal Yeshua's monthly gross remuneration from NIS 27,300 to NIS 45,000 with effect retrospectively from 1 January 2010.

The increase in Mr Yeshua's monthly gross remuneration has been proposed in light of the increase in time and the extent of hours Mr Yeshua dedicates to the fulfilment of his role as Chairman.

The increase in the remuneration of Mr Yeshua was also approved by the audit committee and the board of directors of the Company.

Resolution 14 (approval of a special bonus to Mr Yeshua)

Mr Yeshua has served as the Chairman of the Board since May 2008. It is proposed to pay him a bonus of NIS 250,000 in respect of the year 2009.

Resolution 15 (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, 2011, in the current level of expenses.

Voting requirements

In relation to each of resolutions 1 to 10 (inclusive) and resolution 15, 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.

Under the Israel Companies Law, 1999, Resolutions 11 – 14 (inclusive) requires a special majority vote in favour in order for the resolution to be validly passed. Under the Companies Law, a resolution concerning an exceptional transaction of a public company with its "controlling shareholder" or with another person in whom the controlling shareholder has a personal interest requires the approval of the company's audit committee, its board of directors and its shareholders in general meeting provided that, in the case of the latter's approval, either of the following conditions is satisfied:

- (a) the majority of votes in favour includes at least one-third of the shares of shareholders who have no "personal interest" in the approval of the resolution and who vote on the resolutions; or
- (b) the total number of shares of shareholders who have no "personal interest" and who vote against the resolutions does not exceed 1 per cent of the issued share capital of the Company.

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.

Pursuant to the Companies Law, a "Personal Interest" is deemed to be a personal interest in the engagement contemplated by the resolution, including the interest of certain family relatives and of corporations affiliated to any person having such interest.

Each shareholder participating in the vote on the resolutions herein is required, as a condition to having his/her vote counted, to indicate in the Proxy Form or the Form of Direction if he/she has a "Personal Interest" in the approval of the resolutions. Each shareholder should seek legal counsel as to whether such shareholder has a "Personal Interest" for the purpose herein.

Documents available for inspection

The draft letter of appointment and the draft indemnification agreement between the Company and Mr Shalev, 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 11.00am 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, PXS, 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, PXS, 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