

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 to be held at St Magnus House, 3 Lower Thames Street, London EC3, England on Tuesday, 26 June 2007 commencing at 11.00am is set out on pages 5, 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

21 May 2007

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

Dear Shareholder

Annual General Meeting: Tuesday, 26 June 2007

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 Tuesday, 26 June 2007 at St Magnus House, 3 Lower Thames Street, London EC3, England. The notice of AGM (which includes the resolutions to be proposed at the meeting) (the "Notice") is set out on pages 5, 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 2006 (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, in each case being eligible, offer themselves for re-election, to hold office until the conclusion of the next annual general meeting:
 - (a) Mr Abraham Heifetz
 - (b) Mr Josef Rokah
 - (c) Mr Mordechai Dabi
 - (d) Mr Yosef Katz
 - (e) Mr Itamar Dov Eder
 - (f) Dr Izhar Ben-Shlomo
- to approve certain amendments to the Articles in respect of electronic communications as set out on pages 5 and 6 of this document;
- to approve certain amendments to the Articles in respect of shareholders' notification requirements as set out on Appendix 1 to the Notice;
- to authorise the Company to extend its existing directors' and officers' liability insurance policy for an additional 9-month period ending on 31 July 2008;

- to approve the entering into a share option agreement with Mr Joseph Rokah (the "Option Agreement") pursuant to which Mr Joseph Rokah shall be granted options to purchase 72,961 ordinary shares of the Company; and
- to approve the amendment to the letter of appointment of Mr Abraham Heifetz, the chairman of the board of directors of the Company, dated 11 November 2005

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 Nathalie Schwarz, 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 (electronic communications)

This resolution provides for the approval of amendments to the Articles in respect of electronic communications as set out on pages 5 and 6 of this document. The proposed amendments to the Articles will enable the Company to send notices or other documents to its shareholders in electronic form or by making them available on the Company's website.]

Resolution 10 (shareholders' notification requirements)

AIM companies are obliged under the AIM rules to disclose any changes in major shareholdings in the company's shares without delay. As a result of the EU Transparency Directive, new disclosure and transparency rules ("DTR") have been introduced in the UK with new shareholders' notification requirements applicable to AIM companies incorporated in the UK. The new DTR have retained the notification threshold of a 3 per cent holding, and every 1 per cent thereafter, which is currently included in the AIM rules. The London Stock Exchange published new AIM rules on 20 February 2007 with guidance to UK and non-UK companies as to the impact of the DTR.

In relation to non-UK companies, such as the Company, the guidance notes that such companies are expected to make appropriate disclosure of the fact that they are not subject to the DTR and that they may not always ensure compliance with the notification requirements of AIM rules. Such companies are required to use all reasonable endeavours to comply with the AIM rules and are also advised to include provisions in their constitution requiring significant shareholders to notify them of any relevant changes to their shareholdings in similar terms to the DTR.

Resolution 10 therefore provides for the approval of certain amendments to the Articles as set out in Appendix 1 to this Notice which, in general terms, require shareholders with Notifiable Interest (as defined in the amendment) to make certain disclosures to the Company in order to enable the Company to comply with the AIM rules.

Resolution 11 (extension of D&O insurance policy)

This resolution authorises the Company to extend its existing directors' and officers' liability insurance policy for an additional 9-month period ending 31 July 2008.

Resolution 12 (Option Agreement with Joseph Rokah)

Following the approval of the audit committee and of the board of directors of the Company, this resolution approves the entering into the Option Agreement pursuant to which Mr Joseph Rokah is granted options to purchase 72,961 ordinary shares of the Company, subject to the terms and conditions set out in the Option Agreement.

Resolution 13 (Amendment to the Appointment Letter of Abraham Heifetz)

Resolution 13 provides for the approval of the amendment to the letter of appointment of Mr Heifetz, the chairman of the board of directors of the Company, dated 11 November 2005 following the approval of the audit committee and the board of directors of the Company. The amendment is conditional on, and subject to, the approval of the general meeting of the Company and, subject to this approval, will commence on 26 June 2007. Pursuant to the terms of the amendment, Mr Heifetz will be entitled to receive an annual fee of US\$57,600 (gross) during the term of his appointment with the Company. Mr Heifetz will also be entitled to the use of a Company mobile phone. All other terms of the letter of appointment shall remain unchanged.

Voting requirements

In relation to each of resolutions 1 to 13 (inclusive), a simple majority of members who vote must do so in favour of the resolution in order for it to be validly passed.

Documents available for inspection

The Option Agreement and the amendment to Mr Heifetz' letter of appointment will be available for inspection at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA, 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, 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, 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

Abraham Heifetz
Chairman

AMIAD FILTRATION SYSTEMS LTD.

REGISTERED IN ISRAEL UNDER COMPANY NO: 51-249769-4

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Amiad Filtration Systems Ltd. (the "Company") will be held at St Magnus House, 3 Lower Thames Street, London EC3R 6HA, England on Tuesday, 26 June 2007 commencing at 11.00am for the following purposes:

- 1 To receive the accounts of the Company for the year ended 31 December 2006 and the reports of the directors and auditors in relation thereto.
- 2 To re-appoint 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.
- 3 To re-elect Mr Abraham Heifetz as a director of the Company.
- 4 To re-elect Mr Joseph Rokah as a director of the Company.
- 5 To re-elect Mr Mordechai Dabi as a director of the Company.
- 6 To re-elect Mr Yosef Katz as a director of the Company.
- 7 To re-elect Mr Itamar Dov Eder as a director of the Company.
- 8 To re-elect Dr Izhar Ben-Shlomo as a director of the Company.
- 9 To consider and, if thought fit, pass the following resolution:

that the articles of association of the Company be and are hereby amended:

(i) by replacing existing article 77.1 with the following:

"77.1 Except as provided otherwise in these Articles, any written notice or other document may be served by the Company upon any Shareholders (in his capacity as a Shareholder) by whichever of the following methods it may in its absolute discretion determine:

- (a) personally;
- (b) by prepaid mail (airmail or courier if sent internationally) addressed to such Shareholder as described in the Shareholders Register or such other address as he may have designated in writing for the receipt of notices and other documents;
- (c) by sending or supplying the notice or other document or information in electronic form to such address (if any) as may for the time being be notified to the Company by or on behalf of such Shareholder for that purpose; or

(d) by making it available on its website.

Any written notice or other document may be served by any Shareholder (in his capacity as a Shareholder) upon the Company by tendering the same in person to the Secretary or the chief executive officer of the Company at the Office of the Company or by sending it by prepaid registered mail (airmail or courier if posted outside of Israel) to the Company at its Office. Any such notice or other document shall be deemed to have been served (i) in the case of mailing, seventy-two (72) hours after it has been posted (ii) in the case of courier, forty-eight (48) hours after it has been sent, with receipt confirmed by the courier (iii) in the case of personal delivery, on the date when actually tendered in person to such Shareholder or to the Secretary or to the chief executive officer (as the case may be) (iv) in the case of delivery in electronic form, forty-eight (48) hours after it has been sent and (v) if supplied by means of a website, when first made available on the website or, if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website. The mailing or publication date and the date of the meeting shall be counted as part of the days comprising any notice period. A notice shall be deemed to have been duly served when received, notwithstanding that it was defectively addresses or failed, in some other respect, to comply with the provisions of this Articles 77.1.”

(ii) by inserting new articles 77.2 and 77.3 as follows and renumbering existing articles 77.2 to 77. 6 accordingly:

“77.2 If on two consecutive occasions the Company has attempted to send or supply notices or other documents in electronic form to an address for the time being notified to the Company by a Shareholder for that purpose but the Company is aware that there has been a failure of delivery of such notice or other document, then the Company shall within two Business Days from the first attempt send or supply the notice or other document by prepaid mail (airmail or courier if sent internationally) to such Shareholder at his registered address. For this purpose a failure of delivery is when a notice or other document sent in electronic form is returned undelivered to the Company or its agent with a message stating that delivery was unsuccessful from the address to which it was sent.”

“77.3 The Board may from time to time issue or adopt terms and conditions relating to the use of communications by electronic means or by means of a website for the sending or supply of notices or other documents by or to the Company (whether authorised or required to be sent or supplied by the Law or otherwise) to or by a Shareholder, or to or by any person entitled to enjoy or exercise all or any specified rights of a Shareholder in relation to the Company.”

10 To consider and, if thought fit, pass a resolution approving additional amendments to the articles of association of the Company in respect of shareholders’ notification requirements as set out in Appendix 1 to this notice.

11 To authorise the Company to extend its existing directors’ and officers’ liability insurance policy for an additional 9-month period ending on 31 July 2008.

12 To approve the entering into a share option agreement with Mr Joseph Rokah pursuant to which Mr Joseph Rokah is granted options to purchase 72,961 ordinary shares of the Company.

13 To consider and, if thought fit, pass the following resolution:

That the amendment to the letter of appointment of Mr Heifetz dated 11 November 2005, a copy of which is produced to the meeting and initialled for the purposes of identification by the chairman of the meeting, be and is hereby approved.

By Order of the Board

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Director

Dated: 21 May 2007

Registered office: DN Galil Elyon 1, 12335, Israel

Notes:

1. A member who is entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on his or her behalf, provided that only one proxy may be appointed by a member in respect of a particular share held by him/her. A proxy need not be a member of the Company.
2. To be effective, a completed and signed proxy (and any power of attorney or other authority under which it is signed) must be delivered to the Company's transfer agent, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, not less than 24 hours before the time fixed for the meeting or any adjourned meeting. Completion and return of a proxy will not preclude a shareholder from attending and voting at the meeting in person.
3. The Company specifies that only those members entered on the Company's register of members by no later than 11.00am on Friday, 22 June 2007 shall be entitled to receive notice of and to attend and/or vote at the meeting or, if the meeting is adjourned, such other date being not less than 96 hours prior to such adjourned meeting as the board may determine in accordance with the Company's articles of association.
4. In the case of joint holders of shares in the Company, the vote of the senior holder shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority will be determined by the order in which the names appear in the Company's register of members (or the Company's Registrars' records).
5. In the case of holders of depositary interests representing ordinary shares in the Company, a form of direction must be completed in order to appoint Capita IRG Trustees Limited, the Company's depositary, to vote on the holder's behalf at the meeting or, if the meeting is adjourned, at the adjourned meeting. To be effective, a completed and signed form of direction (and any power of attorney or other authority under which it is signed) must be delivered to the Company's transfer agent, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, by no later than 72 hours before the time fixed for the meeting or any adjourned meeting.

APPENDIX 1

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY IN RESPECT OF SHAREHOLDERS' NOTIFICATION REQUIREMENTS

The directors propose to amend the articles of association of the Company by inserting a new article 85 as follows:

"85 **Shareholder Notification Requirements**

85.1 Without prejudice to and in addition to any obligation to disclose under any applicable law, where a Shareholder either:

85.1.1 to his knowledge acquires a Notifiable Interest in the shares of the Company or, ceases to have a Notifiable Interest in the shares of the Company; and/or,

85.1.2 becomes aware that he has acquired a Notifiable Interest in the shares of the Company or that he has ceased to have a Notifiable Interest in shares of the Company in which he has previously had a Notifiable Interest; and/or,

85.1.3 to his knowledge, had a Notifiable Interest before and after the acquisition or disposal of an interest in shares of the Company, but the percentage level of his interest immediately before and immediately after that disposal or acquisition increases or decreases by any single percent.

such Shareholder shall notify the Company of his interest without delay.

85.2 For the purposes of this Article 85, a Notifiable Interest is an interest, whether direct or indirect, in 3 percent or more of the issued shares of the Company. Any reference to shares in this Article 85 excludes shares that are Dormant Shares (as defined in the Law). For the purpose of calculating whether any percentage threshold is reached, exceeded or falls below the threshold, the Notifiable Interest shall if necessary be rounded down to the next whole number.

85.3 Any notification under Article 85.1 shall identify the Shareholder so interested and provide details of the price and amount of the shares concerned, the nature of the transaction, the nature and extent of his interest in the transaction and the date on which he acquired or ceased to hold a Notifiable Interest or on which there was reached an increase or decrease in the percentage level of his Notifiable Interest by 1 percent or more.

85.4 The Board may by written notice require any person whom the Board knows or has reasonable cause to believe to be interested in shares of the Company to indicate whether or not it is the case and, where that person holds any interest in any such shares, to give such further information as may be required by the Board.

85.5 Any such notice may require the person to whom it is addressed to give particulars of his own present interest in the shares of the Company.

85.6 A notice under Article 85.4 shall require any information given in response to the notice to be given in writing as soon as reasonably practicable but no later than 3 Business Days.

85.7 For the purposes of this Article 85, a person who is interested in a right to subscribe for or convert into shares of the Company shall be deemed to be interested in shares of

the Company and references to interests in shares of the Company shall include any interest whatsoever in such shares including, without limitation, a right to control directly or indirectly the exercise of any right conferred by the holding of shares of the Company alone or in conjunction with any person and the interest of any person shall be deemed to include the interest of any other person deemed to be acting in conjunction as aforesaid.

- 85.8 A notice which has taken effect under Article 85.4 shall remain in effect in accordance with its terms following a transfer of the shares to which it relates unless and until the Board determines otherwise and notifies the holder accordingly.
- 85.9 If the holder of, or any person appearing to be interested in shares of the Company, has been served with a notice issued under Article 85.4 above (the "Disclosure Notice"), and in respect of such shares (the "Default Shares") has been in default (in whole or in part) for the relevant period in supplying the Company with the information required by the Disclosure Notice, subject to Israeli law and notwithstanding anything to the contrary in these Articles, the restrictions referred to in Article 85.10 below shall apply. Those restrictions shall cease to apply the trading day after the earlier of:
- 85.9.1 due compliance to the satisfaction of the Board with the Disclosure Notice;
 - 85.9.2 receipt by the Company of a notice that the stockholding has been sold to a third party under an arm's length transfer; or
 - 85.9.3 the decision of the Board to waive those restrictions in whole or in part.
- 85.10 The restrictions referred to below shall apply only if the Default Shares in which any one person is interested, or appears to the Company to be so interested, represent at least 1 percent of the issued and outstanding shares of the Company. The holders of the Default Shares shall not be entitled in respect of those Default Shares:
- 85.10.1 to receive any dividend (including bonus shares/stock dividend), it being noted that any such dividends shall be set aside by the Company and distributed to the holders of the relevant Default Shares (without any interest, linkage differentials or any other additional compensation or penalty) promptly upon such holder's supplying the Company with the information required by the relevant Disclosure Notice; or
 - 85.10.2 to transfer any such Default Shares or any rights in them (subject to Article 85.11).
- 85.11 The restrictions in Article 85.10 above shall not prejudice the right of either the Shareholder holding the Default Shares or, if different, any person having a power of sale over such Default Shares, to sell or agree to sell such Default Shares under an arm's length transfer.
- 85.12 If, while any of the restrictions referred to above apply to a share of the Company, another share is issued pursuant to the rights attached to such share, the same restrictions shall apply to that other share as if it was a Default Share.
- 85.13 Where a Disclosure Notice is served on a Depositary and the Depositary fails to comply for any reason with the Disclosure Notice, the provisions of Article 85.9 and Article 85.10 will only be implemented by the Company in relation to those Default Shares in respect of which there has been a failure, and will not be implemented in relation to any other shares in the Company held by the Depositary. A "Depositary" in this Article 85.13 means any person who is a Shareholder in the Company by virtue of it holding

shares as trustee for those who have elected to hold shares in the Company in dematerialised form through depository interest.

85.14 For the purposes of this Article 85:

85.14.1 an "arm's length transfer" in relation to any share of the Company is a transfer pursuant to a sale of the whole of the legal or beneficial ownership of the shares to a bona fide third party unconnected with the Shareholder or with any person appearing to be interested in such stock including any such sale on a recognised investment exchange or on any stock exchange outside the United Kingdom on which the stock is listed or normally traded;

85.14.2 "interest" in a person means legal or beneficial ownership of any securities of such person;

85.14.3 "person" means any individual, firm, partnership, association, company or other entity;

85.14.4 the "relevant period" shall be the period set out in the Disclosure Notice;

85.14.5 "transaction" means the transaction that triggered the notification requirements under Article 85.1;

85.14.6 the percentage of the issued shares referred to in Articles 85.1 and 85.10 shall be calculated by reference to the shares of the Company in issue at the time when the Disclosure Notice is given (excluding Dormant Shares); and

85.14.7 a person shall be treated as appearing to be interested in any share of the Company if the Company has given to the Shareholder holding such shares a Disclosure Notice and either (i) the Shareholder has named such person as being interested in the shares, or (ii) after taking into account any response to any Disclosure Notice and any other relevant information, the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares."