

**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 Thursday, 1 September 2011 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, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, 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 Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX, England.

**AMIAD FILTRATION SYSTEMS LTD.**

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

Registered Office:  
DN Galil Elyon 1  
12335

Israel

22 July 2011

**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: Thursday, 1 September 2011**

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 Thursday, 1 September 2011 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 AGM) (the "Notice") is set out on pages 11 to 13 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 the following resolutions:

- to discuss the Company's financial statements and annual report for the year ended 31 December 2010 (the "**Report and FS**").
- to re-appoint Kesselman & Kesselman, 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 but who are offering themselves for re-election to hold office until the conclusion of the next AGM (and are eligible to do so):  
  
Mr Tal Yeshua;  
Mr Dan Falk;  
Mr Zeev Holender;  
Mr Harel Beit-On;  
Dr Izhar Ben-Shlomo;  
Ms Osnat Ronen;  
Mr Arie Dayan; and  
Mr Amos Shalev.
- to appoint Mr Shmuel Dudai as a director of the Company.
- to approve the terms of appointment and remuneration of Mr Shmuel Dudai as a director of the Company, as set out in his draft letter of appointment to be entered into by the Company and Mr Shmuel Dudai.
- to approve the entering into of an indemnification agreement between the Company and Mr Shmuel Dudai, in a form to be produced to the AGM (which shall be substantially in the

form previously approved by the shareholders of the Company in respect of existing directors).

- to approve and ratify the sub-lease agreement by and between the Company and Kibbutz Amiad – Cooperative Agricultural Society ("**Kibbutz Amiad**") dated 30 June 1998, as amended by an addendum dated 24 November 2005 (the "**Amiad Lease Agreement**"), and to approve certain amendments to the Amiad Lease Agreement as detailed below.
- to approve and ratify the services agreement by and between the Company and Kibbutz Amiad dated June 1998, as amended by an addendum dated 24 November 2005 (the "**Amiad Services Agreement**"), and to approve an amendment to the Amiad Services Agreement as detailed below.
- to approve and ratify the sub-lease agreement by and between the Company's subsidiary, Arkal Filtration Systems Cooperative Agricultural Society ("**Arkal**"), and subsidiaries of Kibbutz Beit Zera ("**Beit Zera**") dated 28 April 2010 (the "**Beit Zera Lease Agreement**"), and to approve certain amendments to the Beit Zera Lease Agreement as detailed below.
- to approve and ratify the services agreement by and between Arkal and Beit Zera dated 28 April 2010 (the "**Beit Zera Services Agreement**"), and to approve an amendment to the Beit Zera Services Agreement as detailed below.
- to approve and ratify the human resources services agreement by and between Arkal and Beit Zera dated 28 April 2010 (the "**Beit Zera HR Agreement**").
- to approve a bonus of NIS 169,000 for the Chairman of the Board, Mr Tal Yeshua, in respect of the year 2010.
- to approve the entering into of a service agreement between the Company and Mr Tal Yeshua through a company wholly owned by him, in a form to be produced to the AGM.
- to approve an increase, in the monthly gross remuneration (not including social benefits) of the CEO and a director of the Company, Mr Arie Dayan, from NIS 65,000 to NIS 75,000 with effect as of 1 April 2011, and to approve the entering into of a service agreement between the Company and Mr Arie Dayan through a company wholly owned by him, in a form to be produced to the AGM.
- to approve a bonus of NIS 231,000 for Mr Arie Dayan in respect of the year 2010.
- to approve the terms of Mr Arie Dayan's bonus scheme for the year 2011, a summary of which is set out in the appendix to this circular ("**Dayan's Bonus Scheme for 2011**").
- to approve a bonus of NIS 284,800 for Kibbutz Beit Zera, in respect of the year 2010, and such bonus shall include the proportion of the bonus pool payable to employees of Kibbutz Beit Zera under the approved Company's staff bonus and in accordance with the terms of the Beit Zera HR Agreement.
- to approve the terms of the bonus scheme for Beit Zera for the year 2011 ("**Beit Zera Bonus Scheme for 2011**"). Such bonus shall include the proportion of the bonus pool payable to employees of Kibbutz Beit Zera under the approved Company's staff bonus and in accordance with the terms of the Beit Zera HR Agreement
- to change the Company's name from "Amiad Filtration Systems Ltd." to "Amiad Water Systems Ltd."
- to authorise the Company to extend its directors' and officers' liability insurance policy for an additional 12 month period ending on 31 July 2012, in the current level of expenses.

As the Company is not a quoted company for the purposes of the Companies Act 2006, it is not required to produce a separate directors' remuneration report for approval by the shareholders.

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

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

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

### **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 the financial statements and annual report of the Company following the Report and FS of the Company are received and to authorise the directors of the Company to fix their remuneration.

### **Resolutions 3 to 10 (re-election of directors)**

In accordance with the Articles, all of the directors (other than Michael Rosenberg 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 FS (including, where relevant, their membership of the Company's audit committee).

### **Resolution 11 (appointment of Mr Shmuel Dudai)**

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

Mr Shmuel Dudai, aged 46, has a B.Sc in Computer Science and Mathematics and an MBA from Ben-Gurion University in the Negev. Mr Shmuel Dudai is the current Chairman of Kibbutz Amiad. Mr Shmuel Dudai is also a member of the board of executives of various Kibbutzim and financial entities. Mr Shmuel Dudai is the founder of 'Matzpen', a leading company in regeneration and growth processes in the rural and Kibbutz sectors. Mr Shmuel Dudai was also the CEO of the financial development unit of the city of Netivot and of the Sadot Negev Regional Council.

The board of directors of the Company does not regard Mr Shmuel Dudai as being an independent non-executive director for the purposes of the Combined Code. As mentioned above, Mr Shmuel Dudai serves as the Chairman of Kibbutz Amiad, which holds, as at the date of this document, approximately 44.99% of the Company's issued share capital and is a party to a shareholders agreement with Kibbutz Beit Zera and Bermad Industries A.C.S. Ltd., pursuant to which the parties thereto agreed to exercise the voting rights to which they are entitled as a result of their shareholdings 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 12 (approval of the terms of engagement of Mr Shmuel Dudai)**

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 Shmuel Dudai as a director of the Company, as set out in the draft letter of appointment to be entered into by the Company and Mr Shmuel Dudai, a copy of which will be produced to the AGM. Mr Shmuel Dudai will be paid a basic sum of NIS 48,000 (gross) per annum plus a sum of NIS 4,000 (gross) for each meeting of the board of directors which he attends.

### **Resolution 13 (approval of the exemption and indemnification agreement with Mr Shmuel Dudai)**

This resolution authorises the Company to enter into an exemption and indemnification agreement between the Company and Mr Shmuel Dudai, 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 has previously entered into with other directors of the Company. 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 Shmuel Dudai was approved by the audit committee and the board of directors of the Company.

### **Introduction to resolutions 14-18:**

Pursuant to amendment no.16 to the Israeli Companies-Law, 5759-1999 (the "Law"), every Israeli public company is obliged to re-approve and ratify every existing extraordinary transaction (as this term is defined in the Law) between the Company and its "controlling shareholder", which is for a period exceeding three years, and in accordance with the same procedure ascribed in the Law. Based on the above and following the approval of the audit committee and the board of directors of the Company, the shareholders of the Company are hereby requested to re-approve and ratify the following transactions.

Resolutions 14 to 18 were approved by the audit committee and the board of directors. The audit committee confirmed, as required under the Law, that the term of the transactions referred to in Resolutions 14 to 18 is reasonable.

### **Resolution 14 (approval and ratification of the Amiad Lease Agreement and approval of amendments to the Amiad Lease Agreement)**

- Pursuant to the Amiad Lease Agreement the Company leases a plot of approximately 17,595 sq.m located in Kibbutz Amiad, which is used for the Company's main offices and main production plant. The term of the Amiad Lease Agreement expires on 30 September 2015, with an option for the Company to extend the lease until 31 December 2022.
- The premises rented pursuant to the Amiad Lease Agreement are divided into four classifications each representing different uses of the premises - offices, manufacturing area and warehouses, pavilions and open areas – with a different rental rate for each classification.
- The rent paid by the Company to the Kibbutz Amiad is determined every three years by an appraiser.
- The current aggregate monthly rent due to Kibbutz Amiad is US Dollars ("**USD**") 34,947, payable in NIS linked to the US dollar ratio on the date of payment, plus VAT.

#### **Proposed key amendments to the Amiad Lease Agreement**

- Amend the term of the lease to 10 years as of August 1, 2011, with an option for the Company to extend the term for an additional 10 years.
- Update the rent that was denominated in USD, pursuant to an appraisal dated 2005, according to the NIS-USD exchange rate, as it was at the time of the appraisal, and to state that a new appraisal will be completed within 6 months.
- Add approximately 60 sq.m of office space to the leased premises, which will increase the monthly rent by approximately USD 288.
- Add a new rental classification of removable office space (caravans placed in open areas), at USD1 per 1 sq.m for a total of USD 240.
- All amendments will be in effect as of 1 August 2011.

**Resolution 15 (approval and ratification of the Amiad Services Agreement and approval of an amendment to the Amiad Services Agreement)**

- Pursuant to the Amiad Services Agreement, Kibbutz Amiad undertook to supply various services to the Company, including parking spaces, telephone switchboard, maintenance, infrastructure and warehousing at Kibbutz Amiad.
- The Amiad Services Agreement is for a term of 10 years, commencing on 1 October 2005 with an automatic renewal for periods of 10 years each thereafter, unless either party notifies the other of its intention not to renew the term of the agreement 6 months prior to the end of its term.
- The Amiad Service Agreement will not terminate for so long as the Company's activities, wholly or partly, are undertaken on the premises leased to the Company by Kibbutz Amiad.

**Proposed amendment to the Amiad Services Agreement**

- Increase the amount of the parking spaces which Kibbutz Amiad provides to the Company from 60 to 120, increasing the cost to the Company by NIS 3,000 per month. The proposed price per each new parking space is lower than the current price (NIS 50 in comparison to NIS 160).

**Resolution 16 (approval and ratification of the Beit Zera Lease Agreement and approval of certain amendments to the Beit Zera Lease Agreement)**

- The Beit Zera Lease Agreement was entered into as part of the acquisition of Arkal by the Company from Beit Zera.
- Pursuant to the Beit Zera Lease Agreement, Arkal leases to the Company a plot of approximately 16,515 sq.m, which is located at Beit-Zera and used for Arkal's offices and production plant.
- The term of the Beit Zera Lease Agreement expires on 31 March 2020, with an option for Arkal to extend for an additional term of 10 years.
- Pursuant to the Beit Zera Lease Agreement, the rented premises are divided into three classifications, each representing different uses of the premises - offices, manufacturing area warehouses and open areas – with a different rental rate for each classification.
- Until 31 December 2012, the monthly rent payable to Beit Zera is NIS 148,000, linked to the Israeli Consumer Price Index, plus VAT. From 1 January 2013 the rent shall be determined every three years by an appraiser (similar to the rental fee arrangement between the Company and Kibbutz Amiad).

**Proposed amendments to the Beit Zera Lease Agreement**

- Arkal will increase the leased premises from Beit Zera by approximately 12,000 sq.m.
- The initial term of the lease will be amended to be 10 years as of the date that the additional premises are provided to Arkal.
- The monthly rent until 31 December 2012 will be increased to NIS 250,000 for the entire premises.

**Resolution 17 (approval and ratification of the Beit Zera Services Agreement and approval of an amendment to the Beit Zera Services Agreement)**

- The Beit Zera Services Agreement was entered into as part of the acquisition of Arkal by the Company from Beit Zera.
- Pursuant to the Beit Zera Services Agreement, Beit Zera undertook to supply Arkal with various services, including use of parking spaces, telephone switchboard, security, infrastructure and road lighting.
- The term of the Beit Zera Services Agreement is 10 years commencing on 1 January 2010 with an option for Arkal to extend the Beit Zera Services Agreement for an additional term of 10 years.

- The Beit Zera Services Agreement will not terminate for so long as Arkal's activities, wholly or partly, are undertaken on the premises leased to Arkal by Beit Zera.
- Until 31 December 2012, the amount payable monthly to Beit Zera is NIS 58,000 linked to the CPI, for the 'base services', and an additional payment for additional services actually provided to Arkal. As of 1 January 2013, the amount payable monthly shall be identical to the amounts the Company pays Kibbutz Amiad for similar services.

#### **Proposed amendment to the Beit Zera Services Agreement**

- Due to the increase in the area of the leased premises as detailed above, the monthly payment under the Beit Zera Services Agreement will increase to NIS 70,000.

#### **Resolution 18 (approval and ratification of the Beit Zera HR Agreement)**

- The Beit Zera HR Agreement was also entered as part of the acquisition of Arkal by the Company from Beit Zera.
- Pursuant to the Beit Zera HR Agreement, Beit Zera agreed to supply Arkal with manpower, comprising those members of Beit Zera engaged by Arkal.
- The term of the Beit Zera HR Agreement is 10 years, commencing as of 28 April 2010. The Beit Zera HR Agreement is automatically renewable for additional 10 year periods, unless either party notifies the other of its intention not to renew the term of the Beit Zera HR Agreement 6 months prior to the end of its term.
- Upon termination by Beit Zera, all personnel provided by Beit Zera under the Beit Zera HR Agreement will become employees of Arkal. The agreement continues in force for so long as most of Arkal's activities are performed on the premises leased from Beit Zera.
- Arkal pays Beit Zera a monthly payment according to a formula which varies depending on the number of workers provided by Beit Zera and the function each worker undertakes in Arkal.
- For the five month period ended on 31 May 2011, Arkal paid approximately NIS 2,550,000 in fees to Beit Zera pursuant to the Beit Zera HR Agreement.

#### **Resolution 19 (approval of a special bonus to Mr Tal Yeshua)**

Following the approval of the audit committee and the board of directors of the Company, it is proposed to pay Mr Tal Yeshua, the Chairman of the Board, a bonus of NIS 169,000 in respect of the year 2010.

#### **Resolution 20 (approval of the terms of engagement of Mr Tal Yeshua)**

Following the approval of the audit committee and the board of directors of the Company, this resolution approves the terms of remuneration of Mr Tal Yeshua as the Chairman of the Board of the Company, as set out in the draft letter of engagement to be entered into by the Company and Mr Tal Yeshua, a copy of which will be produced to the AGM.

#### **Resolution 21 (increase in the remuneration of Mr Arie Dayan and approval of the terms of engagement of Mr Arie Dayan)**

Following the approval of the audit committee and the board of directors of the Company, this resolution provides for the approval of an increase in Mr Arie Dayan's monthly gross remuneration (not including social benefits) from NIS 65,000 to NIS 75,000 with effect as of 1 April 2011, and the approval of the transition of Mr Arie Dayan's employment with the Company through a company fully owned by Mr Arie Dayan, as set out in the draft agreement, a copy of which will be produced to the AGM.

### **Resolution 22 (approval of a special bonus to Mr Arie Dayan)**

Following the approval of the audit committee and the board of directors of the Company, it is proposed to pay Mr Arie Dayan a bonus of NIS 231,000 in respect of the year 2010.

### **Resolution 23 (approval of terms of Dayan's Bonus Scheme for 2011)**

Following the approval of the audit committee and the board of directors of the Company, this resolution provides for the approval of the participation of Mr Arie Dayan in the Company's 2011 bonus scheme, a summary of which is set out in the appendix to this circular.

### **Resolution 24 (approval of a special bonus to Kibbutz Beit Zera)**

Following the approval of the audit committee and the board of directors of the Company, this resolution provides for the approval of a payment of special bonus of NIS 284,000 in respect of the year 2010 to Kibbutz Beit Zera. Such bonus shall include the proportion of the bonus pool payable to employees of Kibbutz Beit Zera under the approved Company's staff bonus, and in accordance with the terms of the Beit Zera HR Agreement.

### **Resolution 25 (approval of terms of Beit Zera Bonus Scheme for 2011)**

Following the approval of the audit committee and the board of directors of the Company, this resolution provides for the approval of the participation of Kibbutz Beit Zera in the Company's 2011 bonus scheme. Such bonus shall include the proportion of the bonus pool payable to employees of Kibbutz Beit Zera under the approved Company's staff bonus, and in accordance with the terms of the Beit Zera HR Agreement.

### **Resolution 26 (to change the Company's name)**

This resolution is to change the Company's name from: "Amiad Filtration Systems Ltd." to "Amiad Water Systems Ltd." The Company's business has expanded in recent years and as part of a broader branding revision it is proposed to change the Company's name to reflect better its current activities.

### **Resolution 27 (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, 2012, in the current level of expenses.

### **Voting requirements**

In relation to each of resolutions 1 to 11 (inclusive), resolutions 21 to 23 (inclusive) and resolutions 26 and 27, 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.

In accordance with the Law, resolutions 12 to 20 (inclusive) and resolutions 24 and 25—require a special majority vote in favour in order for the resolution to be validly passed. Under the Law, a resolution concerning an extraordinary transaction of a public company with its "controlling shareholder" or with another person in whom the controlling shareholder has a personal interest, including a transaction of a public company with its "controlling shareholder" or with his relative, directly or indirectly, including by a company under his control, for the purpose of rendering services from him through his company, and if he also office holder as to the conditions of his office and employment, requires the approval of the company's audit committee, its board of directors and its shareholders in general meeting provided that, either of the following conditions is satisfied:

- (a) the majority of votes in favour includes the majority 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 2 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 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, but excluding a personal interest stemming from the fact of a shareholding in the company, and including personal interest of a person voting pursuant a proxy given to him by another person although if the said "other" person doesn't have personal interest.

Without derogating from the generality of the above, voting of a person with a proxy given to him by another person who has personal interest in the matter in question, shall be counted as a personal interest in the voting, whether if the discretion in the actual vote is of the shareholder or not.

Pursuant to the Law, "Relative" is deemed to be a spouse, sibling, parent, grandparent, child or child sibling or parent of the spouse or the spouse of any of the above.

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 Shmuel Dudai, the draft letter of appointment between the Company and Mr Tal Yeshua and the draft service agreement between the Company and Mr Arie Dayan, will be available for inspection at: (i) the 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 (ii) at the AGM from 11.00am (London time) until the conclusion of that 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 AGM, 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 AGM 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**

## **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 the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX, England on Thursday, 1 September 2011 commencing at 11.00 am (London time) for the following purposes:

- 1 To receive the financial statements of the Company for the year ended 31 December 2010 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 and to authorize the directors of the Company to fix their remuneration.
- 3 To re-elect Mr Tal Yeshua as a director of the Company.
- 4 To re-elect Mr Dan Falk as a director of the Company.
- 5 To re-elect Mr Zeev Holender as a director of the Company.
- 6 To re-elect Mr Harel Beit-On as a director of the Company.
- 7 To re-elect Mr Izhar Ben-Shlomo as a director of the Company.
- 8 To re-elect Ms Osnat Ronen as a director of the Company.
- 9 To re-elect Mr Arie Dayan as a director of the Company.
- 10 To re-elect Mr Amos Shalev as a director of the Company.
- 11 To appoint Mr Shmuel Dudai as a director of the Company.
- 12 To approve the terms of appointment and remuneration of Mr Shmuel Dudai as a director of the Company.
- 13 To approve the entering into of an indemnification agreement between the Company and Mr Shmuel Dudai.
- 14 To approve and ratify the sub-lease agreement by and between the Company and Kibbutz Amiad – Cooperative Agricultural Society ("Kibbutz Amiad") dated 30 June 1998, as amended by an addendum dated 24 November 2005 (the "**Amiad Lease Agreement**"), and to approve certain amendments to the Amiad Lease Agreement.
- 15 To approve and ratify the services agreement by and between the Company and Kibbutz Amiad dated June 1998, as amended by an addendum dated 24 November 2005 (the "**Amiad Services Agreement**"), and to approve an amendment to the Amiad Services Agreement.
- 16 To approve and ratify the sub-lease agreement by and between the Company's subsidiary, Arkal Filtration Systems Cooperative Agricultural Society ("Arkal") and subsidiaries of Kibbutz

Beit Zera ("Beit Zera") dated 28 April 2010 (the "**Beit Zera Lease Agreement**"), and to approve certain amendments to the Beit Zera Lease Agreement.

- 17 To approve and ratify the services agreement by and between Arkal and Beit Zera dated 28 April 2010 (the "**Beit Zera Services Agreement**"), and to approve an amendment to the Beit Zera Services Agreement.
- 18 To approve and ratify the human resources services agreement by and between Arkal and Kibbutz Beit-Zera dated 28 April 2010 (the "**Beit Zera HR Agreement**").
- 19 To approve a bonus of NIS 169,000 for Mr Tal Yeshua in respect of the year 2010.
- 20 To approve the entering into of a service agreement between the Company and Mr Tal Yeshua.
- 21 To approve an increase in the monthly gross remuneration (not including social benefits) of Mr Arie Dayan, director and CEO of the Company, from NIS 65,000 to NIS 75,000 with effect after as of 1 April 2011, and to approve the entering into of a service agreement between the Company and Mr Arie Dayan.
- 22 To approve a bonus of NIS 231,000 for Mr Arie Dayan in respect of the year 2010.
- 23 To approve the terms of Mr Arie Dayan's bonus scheme for 2011.
- 24 To approve a bonus of NIS 284,800 for Kibbutz Beit Zera, in respect of the year 2010, and such bonus shall include the proportion of the bonus pool payable to employees of Kibbutz Beit Zera under the approved Company's staff bonus, and in accordance with the terms of the Beit Zera HR Agreement.
- 25 To approve the participation of Kibbutz Beit Zera in the Company's 2011 bonus scheme.
- 26 To change the Company's name from: "Amiad Filtration Systems Ltd." to "Amiad Water Systems Ltd."
- 27 To authorize the Company to extend its directors' and officers' liability insurance policy for an additional 12 month period ending on 31 July 2012, in the current level of expenses.

By Order of the Board

Tal Yeshua

Chairman

Dated: 22 July 2011

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 form of proxy together with any power of attorney or other authority under which it is signed, must be delivered to the Company's transfer agent, Capita Registrars Limited, PXS, 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 form of 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 11.00 am (London time) on Friday, 26 August 2011 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 of directors of the Company 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 Limited, PXS, 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

### Amiad Filtration Systems Ltd.

#### Summary of the Terms of Arie Dayan's Bonus Scheme for 2011

- Entitlement to bonus payment is dependent upon the Company achieving the Minimum Threshold.
- Achievement of Company Targets will be calculated as weighted averages of Revenues and Net Profit as follows:
  - Revenues will be given a weight of 40%; and
  - Net Profit will be given a weight of 60%.
- Mr Arie Dayan's bonus will be calculated as follows:
  - Upon achieving the Minimum Threshold – 1 monthly salary;
  - Upon achieving the Company Targets – 5 monthly salaries; and
  - Upon achieving 150% of the Company Targets – 7.5 monthly salaries.
- The actual bonus will be calculated using linear extrapolation and in no event shall exceed 7.5 monthly salaries.
- For the purposes herein the following terms shall mean:
  - "**Budget**" – the Company's budget for the year 2011 as approved by the board of directors;
  - "**Company Targets**" - the total revenues and net profit as set forth in the Budget;
  - "**Revenues**" – the total revenues according to the Company's audited annual financial statements for the year 2011;
  - "**Net Profit**" - the net profit according to the Company's audited annual financial statements for the year 2011; and
  - "**Minimum Threshold**" - 90% of the Company Targets for revenues and 80% of the Company Targets for net profit.