

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action to be taken, 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 of your shares in Amiad Water Systems Ltd., please forward this document and the accompanying documents to the broker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

AMIAD WATER SYSTEMS LTD.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice of the extraordinary general meeting to be held at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX, England on Tuesday, 21 February 2012 commencing at 9am (London time) is set out on pages 4 and 5 of this circular. Copies of this document will be available to the public from its date until the date of the extraordinary general meeting at the offices of Nomura Code Securities Limited at 1 Carey Lane, London EC2V 8AE, England.

AMIAD WATER SYSTEMS LTD.

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

Registered Office:

**DN Galil Elyon 1
12335
Israel**

12 January 2012

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

Dear shareholders and holders of depository interests

Extraordinary General Meeting: Tuesday, 21 February 2012

You are cordially invited to attend the Extraordinary General Meeting (the "EGM") of Amiad Water Systems Ltd. (the "Company") to be held at 9am (London time) on Tuesday, 21 February 2012 at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX, England. The notice of EGM (which includes the resolutions to be proposed at the meeting) is set out on pages 4 and 5 of this document. The form of proxy or, if you are a holder of depository interests in the Company, a form of direction is also enclosed.

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

Resolution 1: to re-appoint Mr Simon Olswang as a statutory external director of the Company;

Resolution 2: to re-appoint Mr Michael Rosenberg as a statutory external director of the Company; and

Resolution 3: subject to the passing of resolutions 1 and 2 above, to approve the entering into of letters of appointment with each of Mr Olswang and Mr Rosenberg.

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

Resolution 1 (re-appointment of Mr Simon Olswang as a statutory external director)

Companies incorporated under Israeli law whose shares have been offered to the public are required by the Israeli Companies Law 5759-1999 (the "Companies Law") to appoint at least two statutory external directors. Under the Companies Law, the composition of the audit committee must include the two statutory external directors.

The three-year appointment of Mr Olswang as a statutory external director is due to expire on 31 March 2012. This resolution therefore provides for the re-appointment of Mr Olswang as a statutory external director for an additional term of three years commencing on 1 April 2012 which may be extended for a further term of three years. In order to comply with the Companies Law and the Company's Articles of Association (the "AOA"), Mr Olswang is not subject to the retirement by rotation provisions in the Company's AOA.

In order to comply with the Companies Law, Mr Olswang has declared before the board of directors that he fulfils the conditions required for being appointed as an external director (the "Declaration"). The Declaration is kept at the registered office of the Company and is open for inspection by any person.

The board of directors of the Company regards Mr Olswang as being an independent non-executive director for the purposes of The UK Corporate Governance Code. Mr Olswang holds 49,500 ordinary shares NIS 0.5 each, representing 0.22% of the Company's issued share capital.

Resolution 2 (re-appointment of Mr Michael Rosenberg as a statutory external director)

The second three-year term appointment of Mr Rosenberg as a statutory external director is due to expire on 2 March 2012. Mr Rosenberg has served as an external director of the Company for the past six years and this resolution provides for the re-appointment of Mr Rosenberg as a statutory external director for an additional three year term commencing on 3 March 2012. In order to comply with the Companies Law and the Company's AOA, Mr Rosenberg is not subject to the retirement by rotation provisions in the Company's AOA, but in order to comply with the Companies Law his appointment must not be extended for an additional term beyond 2 March 2015.

In order to comply with the Companies Law, Mr Rosenberg has declared before the board of directors that he fulfils the conditions required for being appointed as an external director (the "Declaration"). The Declaration is kept at the registered office of the Company and is open for inspection by any person.

The board of directors of the Company regards Mr Rosenberg as being an independent non-executive director for the purposes of The UK Corporate Governance Code. Mr Rosenberg does not hold any shares in the Company.

Resolution 3 (approval of Mr Olswang's and Mr Rosenberg's terms of engagement)

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 Olswang and Mr Rosenberg as statutory external directors, as set out in the draft letters of appointment to be entered into by the Company and each of Mr Olswang and Mr Rosenberg, respectively, copies of which will be produced to the EGM.

Each of Mr Olswang and Mr Rosenberg will be paid a basic sum of NIS 104,301 (gross) per annum plus a sum of NIS 4,172 (gross) per each meeting of the board of directors or any meeting of a board committee which they attend.

Voting requirements

Under the Companies Law resolutions 1 and 2 require a special majority in favour in order for the resolution to be validly passed. Furthermore, under the Companies Law, a resolution concerning the election of external directors requires the approval of the Company's board of directors and its shareholders in general meeting, provided that one of the following conditions is satisfied:

- (a) the majority of votes in favour includes at least the majority of the shares of shareholders who have no "personal interest" in the approval of the resolution and who vote on the resolution; or
- (b) the total number of shares of shareholders who have no "personal interest" and who vote against the resolution does not exceed 2 per cent. of the issued share capital of the Company.

The approval of the Company's board of directors for resolutions 1 and 2 has already been obtained.

Under the Companies Law resolution 3 requires a vote in favour by shareholders holding a majority of the shares represented at the meeting, either in person or by proxy, and voting on the resolution.

The approval of the Company's audit committee and board of directors has already been obtained.

Documents available for inspection

The draft letters of appointment for Mr Olswang and Mr Rosenberg will be available for inspection at the registered office of the Company, DN Galil Elyon 1, 12335, Israel and at 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 EGM and at the EGM itself from 08:45 am 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 EGM.

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 registrar, Capita Registrars, at 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 registrar by no later 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 registrar, Capita Registrars, at 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 registrar by no later than 48 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 EGM 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 WATER SYSTEMS LTD.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the extraordinary general meeting of Amiad Water Systems Ltd. (the "Company") will be held at the offices of Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX, England on Tuesday, 21 February 2012 commencing at 9am (London time) for the following purposes:

- 1 To re-appoint Mr Simon Olswang as a statutory external director of the Company for a further three year term commencing on 1 April 2012 and expiring on 31 March 2015;
- 2 To re-appoint Mr Michael Rosenberg as a statutory external director of the Company for a further three year term commencing 3 March 2012 and expiring on 2 March 2015; and
- 3 Subject to the passing of resolutions 1 and 2 above, to approve the terms of appointment and remuneration of Mr Simon Olswang and Mr Michael Rosenberg as statutory external directors of the Company, as set out in the draft letters of appointment to be entered into by the Company and each of Mr Olswang and Mr Rosenberg, respectively, copies of which will be produced to the meeting and initialled for the purposes of identification by the chairman of the meeting.

By Order of the Board

.....
Director

Dated: 12 January 2012

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 registrar, Capita Registrars, at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, by no later 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 9 am (London time) on 17 February 2012, 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 registrar, Capita Registrars, at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, by no later than 48 hours before the time fixed for the meeting or any adjourned meeting.