

**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 Filtration 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 FILTRATION SYSTEMS LTD.**

**(Registered in Israel under company No: 51-249769-4)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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Notice of the extraordinary general meeting to be held at Berwin Leighton Paisner LLP, St Magnus House, 3 Lower Thames Street, London EC3 6HE, England on Monday, 4 February 2008 commencing at 11 am 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 extraordinary general meeting at the offices of Panmure Gordon (UK) 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**

28 December 2007

**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

**Extraordinary General Meeting: Monday, 4 February 2008**

You are cordially invited to attend the Extraordinary General Meeting (the "EGM") of Amiad Filtration Systems Ltd. (the "Company") to be held at 11 am on Monday, 4 February 2008 at Berwin Leighton Paisner LLP, St Magnus House, 3 Lower Thames Street, London EC3 6HE, England. The notice of EGM (which includes the resolutions to be proposed at the meeting) is set out on pages 6 and 7 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 resolutions:

- to elect Mr Tal Yeshua as a director of the Company to hold office until the next annual general meeting;
- (subject to the passing of the resolution appointing him as a director) to approve (a) the draft letter of appointment of Mr Yeshua with the Company and his remuneration and (b) the draft exemption and indemnification agreement between the Company and Mr Yeshua;
- following the appointment of Mr Dan Falk to the board of directors of the Company on 12 December 2007, to approve (a) the draft letter of appointment of Mr Falk with the Company and his remuneration and (b) the draft exemption and indemnification agreement between the Company and Mr Falk;
- to authorise the Company to extend its existing directors' and officers' liability insurance policy to cover Mr Tal Yeshua and Mr Dan Falk;
- to approve an increase in the basic monthly salary of Mr Itamar Eder from NIS 27,700 to NIS 30,000 with effect from 1 January 2008;
- to approve the terms of the Company's 2008 bonus scheme for members of senior management in the form set out in appendix 1 to this circular; and
- to approve the variation of the human resources services agreement dated June 1998 (as amended) between the Company and Kibbutz Amiad - Cooperative Agricultural Society ("Kibbutz Amiad").

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

### **Resolution 1 (election of Mr Tal Yeshua)**

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

Mr Yeshua, aged 50, is currently the Chairman of Asiv Textile Industries Ltd., Termokir Industries (1980) Ltd., Liam-Tnuvot Ltd. and the appointed committee of Kibbutz Horshim in Israel. He was previously a director of Agrical Habonim Industries Ltd., Arad Technologies Ltd., S.H.R. Ltd., Mifne Ltd., Kibbutz Tel Katzir, Kibbutz Eilon, Kibbutz Hefetz Haim, Kibbutz Habonim, Kibbutz Ramot Menashe, Kibbutz Givat Oz and Kibbutz Ratamim.

Mr Yeshua has a Certificate in Business Management from The Negev College, Israel and a Degree in Practical Computer Engineering from the Ruppin Academic Center, also in Israel.

The Board of Amiad does not regard Mr Yeshua as being an independent non-executive director for the purposes of the Combined Code on Corporate Governance. Mr Yeshua does not hold any shares in the Company.

The board of directors of the Company believes that Mr Yeshua's extensive experience as a board member of various Kibbutz companies and Kibbutzim will be beneficial to the Company.

### **Resolution 2 (approval of Mr Tal Yeshua's terms of engagement)**

Following the approval of the audit committee and the board of directors of the Company, this resolution approves the draft letter of appointment of Mr Yeshua, the payment to him of a fee of £18,000 per annum and his draft exemption and indemnification agreement with the Company.

The draft letter of appointment and the draft exemption and indemnification agreement are on the same terms and conditions as the respective letters of appointment and exemption and indemnification agreements which the Company previously entered into with other non-executive directors.

Exemption and indemnification agreements are commonly entered into by Israeli publicly-traded companies with their directors/other office holders.

### **Resolution 3 (approval of Mr Dan Falk's terms of engagement)**

Following Mr Falk's appointment by the board of directors of the Company on 12 December 2007, this resolution approves the draft letter of appointment of Mr Falk, the payment to him of a fee of £18,000 per annum and his draft exemption and indemnification agreement with the Company.

The draft letter of appointment and the draft exemption and indemnification agreement are on the same terms and conditions as the respective letters of appointment and exemption and indemnification agreements which the Company previously entered into with other non-executive directors.

As mentioned above, exemption and indemnification agreements are commonly entered into by Israeli publicly-traded companies with their directors/other office holders.

The draft letter of appointment of Mr Falk and the draft exemption and indemnification agreement between the Company and Mr Falk have been approved by the audit committee and the board of directors of the Company.

From 1999 to 2000, Mr Falk, 62 was Chief Executive Officer and Chief Operating Officer of Sapiens International Corporation N.V. From 1985 to 1999, Mr. Falk served in various positions in Orbotech Systems Ltd., including Chief Financial Officer and Executive Vice President. From 1973 to 1985, he served in several executive positions in Israel Discount Bank.

Mr Falk serves on the board of directors of Orbotech Ltd. (NASDAQ: ORBK), Nice Systems Ltd. (NASDAQ: NICE) (TASE: NICE), Ormat Technologies, Inc. (NYSE: ORA), Nova Measuring Systems Ltd. (NASDAQ: NVMI), ClickSoftware Technologies Ltd. (NASDAQ: CKSW), Attunity Ltd. (NASDAQ: ATTU), Jacada Ltd. (NASDAQ: JCDA), Orad Hi-Tec Systems Ltd. (FWB: OHT) (AIM: OHT), Dmatek Ltd. (LSE: DTK), Advanced Technology Ltd. (FWB: VSJ) and Plastopil Hazorea Company Ltd. (TASE: PPIL). He is also a director of the following private companies: Poalim Ventures 1 Ltd, Tasiot Gazit, VCortex Ltd. and Dan Falk Management Ltd.

Mr Falk was also previously a director of Netafim Ltd., Visionix Ltd., Medcon Ltd., Dor Chemicals Ltd., Ormat Industries Ltd, CompVision Ltd. and Ramdor Ltd.

Mr Falk holds a Bachelor's degree in Economics and Political Science and a Master's degree in Business Administration from The Hebrew University of Jerusalem.

The Board of Amiad regards Mr Falk as being an independent non-executive director for the purposes of the Combined Code on Corporate Governance. Mr Falk does not hold any shares in the Company.

The board of directors has appointed Mr Falk as a member of the Company's audit committee.

#### **Resolution 4 (extension of D&O insurance policy)**

This resolution authorises the Company to extend its existing directors' and officers' liability insurance policy to cover Mr Yeshua and Mr Falk. The proposed extension has already been approved by the audit committee and the board of directors of the Company.

#### **Resolution 5 (increase in the salary of Mr Itamar Eder)**

Resolution 5 provides for the approval of an increase in the basic monthly salary of Mr Itamar Eder from NIS 27,700 to NIS 30,000 with effect from 1 January 2008. The proposed increase in Mr Eder's basic monthly salary has been approved by the audit committee and the board of directors of the Company.

#### **Resolution 6 (approval of the terms of the 2008 Senior Management Bonus Scheme)**

The Company is proposing to introduce a bonus scheme for 2008 for five members of senior management, including three executive members of the board of directors, Mr Rami Treger, Mr Itamar Eder and Mr Avi Heifetz.

Resolution 6 therefore provides for the approval of the terms of the bonus scheme in the form set out in appendix 1 to this circular.

The maximum bonus for each of the five members of senior management is equivalent to five months' salary. This equates to a maximum total liability for the Company of NIS 850,000.

The proposed terms of the bonus scheme have been approved by the audit committee and the board of directors of the Company.

#### **Resolution 7 (approval of a variation to the human resources services agreement with Kibbutz Amiad)**

Resolution 7 provides for the approval of a variation of the human resources services agreement dated June 1998 (as amended) between the Company and Kibbutz Amiad.

The proposed variation of the agreement has been approved by the audit committee and the board of directors of the Company. Pursuant to the terms of the proposed variation, the board of directors of the Company will determine what proportion of the bonus pool payable to employees under the Company's staff bonus schemes will be paid to Kibbutz Amiad in

accordance with the terms of that scheme. The proposed variation is considered to be a framework agreement for the purposes of section 1(3) of the (Israeli) Companies Regulations (Reliefs in Transactions with Related Parties), 2000. All other terms of the agreement will remain unchanged. The Company's staff bonus scheme for 2008 is set out in appendix 2 to this circular.

### **Voting requirements**

Under the (Israeli) Companies Law 5759-1999 (the "Companies Law"), resolutions 1 to 6 (inclusive) require 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 having already been obtained).

Resolution 7 requires a special majority 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 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.

As mentioned above, the approval of the Company's audit committee and board of directors for resolution 7 has already been obtained.

### **Documents available for inspection**

The draft letters of appointment for Mr Falk and Mr Yeshua, the draft exemption and indemnification agreements for Mr Falk and Mr Yeshua and the variation to the human resources services agreement with Kibbutz Amiad will be available for inspection at the registered office of the Company, DN Galil Elyon 1, 12335, Israel during normal business hours in Israel (Friday, Saturday and public holidays in Israel excepted), and at Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA, England during normal business hours in England (Saturday, Sunday and public holidays in England excepted), from the date of this document until the date of the EGM and at the EGM itself 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 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 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 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 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

**Abraham Heifetz**  
**Chairman**

**AMIAD FILTRATION SYSTEMS LTD.**

**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 Filtration Systems Ltd. (the "Company") will be held at Berwin Leighton Paisner LLP, St Magnus House, 3 Lower Thames Street, London EC3 6HE, England on Monday, 4 February 2008 commencing at 11 am for the following purposes:

- 1 To elect Mr Tal Yeshua as a director of the Company.
- 2 To approve (i) the draft letter of appointment of Mr Tal Yeshua and the payment to him of a fee of £18,000 per annum and (ii) the draft exemption and indemnification agreement between the Company and Mr Yeshua.
- 3 To approve (i) the draft letter of appointment of Mr Dan Falk and the payment to him of a fee of £18,000 per annum and (ii) the draft exemption and indemnification agreement between the Company and Mr Falk.
- 4 To authorise the Company to extend its existing directors' and officers' liability insurance policy to cover Mr Yeshua and Mr Falk.
- 5 To approve the increase in the basic monthly salary of Mr Itamar Eder from NIS 27,700 to NIS 30,000 with effect from 1 January 2008.
- 6 To consider and, if thought fit, pass the following resolution:  
  
That the terms of the senior management bonus scheme 2008, as set out in appendix 1 to the circular dated 28 December 2007, be and are hereby approved.
- 7 To consider and, if thought fit, pass the following resolution:  
  
That the addendum to the agreement for the provision of human resources services dated June 1998 (as amended) entered into by the Company and Kibbutz Amiad - Cooperative Agricultural Society, 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

.....  
Director

Dated: 28 December 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, by no later 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 am on Wednesday, 30 January 2008, 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

### AMIAD FILTRATION SYSTEMS LTD.

#### Senior Management Bonus Scheme

#### 1 Bonus targets

1.1 A bonus scheme will be in operation in relation to financial year ending 31 December 2008 which will pay a bonus to the Senior Management team by reference to their monthly salary. The level of bonus payable will depend on the achievement of targets as set out below.

##### 1.1.1 Sales Performance of the Group

Level of 2008 Sales (USD million)	A	B	C	D	E
Senior Management bonus excluding Avi Heifetz (x month's salary)	0.3	0.6	0.9	1.2	1.5
Avi Heifetz (x month's salary)	0.4	0.8	1.2	1.6	2.0

Where:

- A is an amount equal to (i) not less than 14% above 2007 Sales but (ii) not more than 17.49% above 2007 Sales
- B is an amount equal to (i) not less than 17.5% above 2007 Sales but (ii) not more than 19.24% above 2007 Sales
- C is an amount equal to (i) not less than 19.25% above 2007 Sales but (ii) not more than 20.99% above 2007 Sales
- D is an amount equal to (i) not less than 21% above 2007 Sales but (ii) not more than 24.49% above 2007 Sales
- E is an amount equal to not less than 24.5% above 2007 Sales

##### 1.1.2 EBIT Performance of the Group

Level of EBIT (USD million)	V	W	X	Y	Z
Senior Management bonus excluding Avi Heifetz (x month's salary)	0.3	0.6	0.9	1.2	1.5
Avi Heifetz (x month's salary)	0.4	0.8	1.2	1.6	2.0

Where:

- V is an amount equal to (i) not less than 11% x (14% above 2007 Sales) but (ii) not more than 11% x (17.49% above 2007 Sales)
- W is an amount equal to (i) not less than 11% x (17.5% above 2007 Sales) but (ii) not more than 11% x (19.24% above 2007 Sales)
- X is an amount equal to (i) not less than 11% x (19.25% above 2007 Sales) but (ii) not more than 11% x (20.99% above 2007 Sales)
- Y is an amount equal to (i) not less than 11% x (21% above 2007 Sales) but (ii) not more than 11% x (24.49% above 2007 Sales)
- Z is an amount equal to not less than 11% x (24.5% above 2007 Sales)

1.2 If the minimum target level is reached, a bonus will be payable. The amount of the bonus corresponds to the column showing the level of 2008 Sales and/or EBIT achieved.

1.3 If the minimum target is reached for each of the 2008 Sales and EBIT performance criteria, additional bonuses may be awarded in respect of:

1.3.1 completion of the **ERP** project if it is fully functional and operational before 30 June 2008

	x month's salary
Senior Management bonus excluding Avi Heifetz	0.5 (max)
Avi Heifetz	0.5 (max)

1.3.2 **personal performance** as specified

	x month's salary
Senior Management bonus excluding Avi Heifetz, Rami Treger and Itamar Eder	1.5 (max)
Rami Treger: If WCR for the year ended 31 December 2008 is at least 3% below the WCR for the year ended 31 December 2007	0.5 (max)
If the Company completes at least 2 Strategic Transactions in the year ended 31 December 2008	1.0 (max)
Itamar Eder: if WCR for the year ended 31 December 2008 is at least 3% below the WCR for the year ended 31 December 2007	1.5 (max)
Avi Heifetz: if the Company completes at least 2 Strategic Transactions in the year ended 31 December 2008	0.5 (max)

## 2 **Calculation of the Bonus**

- 2.1 The amount of the bonus for members of the Senior Management shall be calculated for each person as a multiple of their monthly salary as set out in the above tables. The maximum bonus for each member of the Senior Management is therefore equivalent to five months' salary (1.5 + 1.5 + 0.5 + 1.5 or, in the case of Avi Heifetz, 2 + 2 + 0.5 + 0.5). On the basis of the salaries of the Senior Management team, this equates to a maximum total liability for the Company of NIS 850,000.

## 3 **Payment Date**

- 3.1 Any bonus shall be paid within 30 days following the Board's approval of the consolidated financial statements of the Company for the year ended 31 December 2008, which approval is currently forecast to occur in March 2009.
- 3.2 If any member of Senior Management is not employed (or, in the case of Avi Heifetz, engaged) by the Company for the whole of the year ended 31 December 2008 or is not employed at the bonus payment date, the payment of any bonus to that individual shall be subject to the absolute discretion of the then Chairman and/or CEO of the Company.

## 4 **Miscellaneous**

- 4.1 Payments of any bonus shall be subject to deductions for tax.

## 5 **Definitions**

2007 Sales	means the revenues as appearing in the consolidated financial statements of the Company for the year ending 31 December 2007
2008 Sales	means the revenues as appearing in the consolidated financial statements of the Company for the year ending 31 December 2008
Board	means the board of directors of the Company
Company	means Amiad Filtration Systems Ltd.
EBIT	means the operating profits as appearing in the approved consolidated financial statements of the Company for the year ending 31 December 2008
Sales	means 2007 Sales or 2008 Sales (as applicable)
Senior Management	means Abraham Heifetz, Rami Treger, Arie Dayan, Uri Tyroler and Itamar Eder
Strategic Transaction	means a merger, acquisition or joint venture which the Board, in its absolute discretion, considers to be strategic to the Company
WCR	means:  (Trade receivables + Inventories - Trade payables)/Sales

## Appendix 2

### AMIAD FILTRATION SYSTEMS LTD.

#### Staff Bonus Scheme

#### 1 Bonus targets

- 1.1 A discretionary bonus scheme will be in operation in relation to the financial year ending 31 December 2008 which will provide a bonus pool for Staff to recognise their contribution to the success of the business. The level of bonus payable will depend on the achievement of targets as set out below.

##### 1.1.1 Sales Performance of the Group

Level of 2008 Sales (USD million)	AA	BB	CC	DD	EE
Staff bonus pool (NIS 000)	99	198	297	396	495

Where:

AA is an amount equal to (i) not less than 12.5% above 2007 Sales but (ii) not more than 15.99% above 2007 Sales

BB is an amount equal to (i) not less than 16% above 2007 Sales but (ii) not more than 17.74% above 2007 Sales

CC is an amount equal to (i) not less than 17.75% above 2007 Sales but (ii) not more than 19.49% above 2007 Sales

DD is an amount equal to (i) not less than 19.5% above 2007 Sales but (ii) not more than 22.99% above 2007 Sales

EE is an amount equal to not less than 23% above 2007 Sales

##### 1.1.2 EBIT Performance of the Group

Level of EBIT (USD million)	VV	WW	XX	YY	ZZ
Staff bonus pool (NIS 000)	99	198	297	396	495

Where:

VV is an amount equal to (i) not less than 11% x (12.5% above 2007 Sales) but (ii) not more than 11% x (15.99% above 2007 Sales)

WW is an amount equal to (i) not less than 11% x (16% above 2007 Sales) but (ii) not more than 11% x (17.74% above 2007 Sales)

XX is an amount equal to (i) not less than 11% x (17.75% above 2007 Sales) but (ii) not more than 11% x (19.49% above 2007 Sales)

YY is an amount equal to (i) not less than 11% x (19.5% above 2007 Sales) but (ii) not more than 11% x (22.99% above 2007 Sales)

ZZ is an amount equal to not less than 11% x (23% above 2007 Sales)

1.2 If the minimum target level is reached, subject to management discretion, a bonus will be payable. The amount paid into the bonus pool corresponds to the column showing the level of 2008 Sales and/or EBIT achieved.

1.3 If the minimum target is reached for each of the 2008 Sales and EBIT performance criteria, subject to management discretion, additional bonuses may be awarded in respect of:

1.3.1 completion of the **ERP** project if it is fully functional and operational before 30 June 2008

Staff bonus pool (NIS 000)	165 (max)
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1.3.2 **personal performance**

Staff bonus pool (NIS 000)	495 (max)
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## 2 **Calculation of the Bonus**

2.1 The amount of the bonus for the Staff will be calculated as a bonus pool, the amount in the pool being dependent on the achievement of performance targets to be determined by the Board. The maximum bonus pool is NIS 1,650,000 (NIS 495,000 + NIS 495,000 + NIS 165,000 + NIS 495,000). The share of each employee in the pool will be apportioned by management according to the contribution of each employee as assessed by management.

2.2 A portion of the bonus pool shall be paid to Kibbutz Amiad up to a maximum amount produced by the following formula:

$$J = (\text{NIS } 1,650,000 - \text{NIS } 500,000) \times K / (K+L)$$

where:

J is the maximum amount payable to Kibbutz Amiad

K is the total fees payable by the Company to Kibbutz Amiad for human resources services provided during the year ended 31 December 2008

L is the total salaries payable to Employees during the year ended 31 December 2008

## 3 **Payment Date**

3.1 The bonus shall be paid, subject to the absolute discretion of management, within 30 days following the Board's approval of the consolidated financial statements of the Company, which approval is currently forecast to occur in March 2009. As the

payment of the bonus is fully discretionary, the Company reserves the right not to pay a bonus.

4 **Miscellaneous**

4.1 Payments of any bonus shall be subject to deductions for tax.

5 **Definitions**

2007 Sales	means the revenues as appearing in the consolidated financial statements of the Company for the year ending 31 December 2007
2008 Sales	means the revenues as appearing in the consolidated financial statements of the Company for the year ending 31 December 2008
Board	means the board of directors of the Company
Company	means Amiad Filtration Systems Ltd.
EBIT	means the operating profits as appearing in the approved consolidated financial statements of the Company for the year ending 31 December 2008
Employees	means all employees of the Company, but excluding Senior Management
Kibbutz Amiad	Kibbutz Amiad - Cooperative Agricultural Society
Senior Management	means Abraham Heifetz, Rami Treger, Arie Dayan, Uri Tyroler and Itamar Eder
Staff	means all Employees and (in relation to its provision of services under the human resources services agreement dated June 1998 with the Company (as amended)) Kibbutz Amiad