

**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 St Magnus House, 3 Lower Thames Street, London EC3 6HE, England on Wednesday, 1 April 2009 commencing at 9am is set out on pages 7 and 8 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**

23 February 2009

**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: Wednesday, 1 April 2009**

You are cordially invited to attend the Extraordinary General Meeting (the "EGM") of Amiad Filtration Systems Ltd. (the "Company") to be held at 9am on Wednesday, 1 April 2009 at 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 7 and 8 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 Zeev Holender 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 the terms of appointment and remuneration of Mr Holender as a director of the Company as set out in his draft letter of appointment;
- to elect Mr Harel Beit-On 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 the terms of appointment and remuneration of Mr Beit-On as a director of the Company as set out in his draft letter of appointment;
- to elect Ms Osnat Ronen as a director of the Company to hold office until the next annual general meeting;
- (subject to the passing of the resolution appointing her as a director) to approve the terms of appointment and remuneration of Ms Ronen as a director of the Company as set out in her draft letter of appointment;
- to elect Mr Simon Olswang as a statutory external director of the Company;
- to re-appoint Mr Michael Rosenberg as a statutory external director of the Company;

- (subject to the passing of the resolution appointing them as statutory external directors) to approve the entering into of letters of appointment with each of Mr Olswang and Mr Rosenberg;
- to approve the employment agreement of Mr Gil Nussbaum as the chief financial officer of the Company and a member of the board, entered into conditional on the approval of the general meeting of the Company;
- to approve the entering into exemption and indemnification agreements between the Company and each of Mr Holender, Mr Beit-On, Ms Ronen, Mr Olswang, Mr Rosenberg and Mr Nussbaum, in a form to be produced to the EGM (which is substantially in the form previously approved by the shareholders of the Company in respect of existing directors);
- to authorise the Company to extend its existing directors' and officers' liability insurance policy to cover Mr Holender, Mr Beit-On, Ms Ronen, Mr Olswang, Mr Rosenberg and Mr Nussbaum.

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

#### **Resolution 1 (election of Mr Zeev Holender)**

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

Mr Holender, aged 51, is currently a practicing attorney in Israel, heading an Israeli law firm. He is currently a director in several corporations, including Aeronautics Ltd and Na'alei Naot Agricultural Cooperative for Business Ltd.

Mr Holender has an LLB from the Tel Aviv University and a S.J.D (Doctorate of Juridical Science) from Harvard Law School.

Mr Holender is providing legal services to the controlling shareholder of the Company, Kibbutz Amiad and the board of directors of the Company therefore does not regard him as being an independent non-executive director for the purposes of the Combined Code on Corporate Governance (the "Combined Code"). Mr Holender does not hold any shares in the Company.

#### **Resolution 2 (approval of the terms of engagement of Mr Holender)**

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

#### **Resolution 3 (election of Mr Harel Beit-On)**

Mr Harel Beit-On is being proposed for election as a non-executive director of the Company.

Mr Beit-On, aged 49, is the founder and a partner of Viola Private Equity I L.P., an Israeli technology buyout and growth capital fund. Harel Beit-On is a senior executive with over 20 years of management leadership in the software industry. From 1994 to 2005, Mr Beit-On has served as the president and chief executive officer (CEO) of Technomatix Ltd. In 2005, Mr Beit-On led the sale of Technomatix to UGS (now Siemens), a global leader in the Product Lifecycle Management for US\$228 million. Mr Beit-On is a director of Red Bend Ltd., Shunra Software Ltd., Lumenis Ltd and Pulsar Welding Ltd. and has served as chairman and/or director on the board of directors of several companies, including ECTel Ltd. (NASDAQ:ECTX), Optimal Test Ltd., Mythings Inc and Clarizen Ltd. In November 2006, on behalf of the Viola group, Mr Beit-On led the acquisition of 75% of the shares of Lumenis Ltd, a global developer, manufacturer and seller of laser, light and radiofrequency based devices for medical use, for US\$150 million. Following such acquisition, Mr Beit-On was appointed as Chairman of Lumenis' board of directors.

Mr Beit-On has a BA in Economics from the Hebrew University in Jerusalem and an MBA from the Massachusetts Institute Technology (MIT).

The board of directors of the Company does not regard Mr Beit-On as being an independent non-executive director for the purposes of the Combined Code. As mentioned above, Mr Beit-On is a partner of Viola Private Equity I L.P. that, as at the date of this document, holds approximately 23.13% of the Company's issued share capital.

#### **Resolution 4 (approval of the terms of engagement of Mr Harel Beit-On)**

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 Harel Beit-On as a director of the Company, as set out in his draft letter of appointment to be entered into by the Company and Mr Beit-On, a copy of which will be produced to the EGM. Mr Beit-On will be paid a basic sum of NIS 48,000 (gross) per annum plus a sum of NIS 4,000 (gross) per each meeting of the board of directors or any meeting of a board committee which he attends.

#### **Resolution 5 (election of Ms Osnat Ronen)**

Ms Osnat Ronen is being proposed for election as a non-executive director of the Company.

Ms Ronen, aged 46, is a partner of Viola Private Equity I L.P. Ms Ronen has served in several positions in Israel's banking group, Bank Leumi Group, including as the deputy CEO of Leumi & Co. Investment House, Bank Leumi Group's private equity investment arm and investment banking services arm.

Ms Ronen has a BSc in Mathematics and Computer Science and an MBA in Finance, both from Tel Aviv University.

The board of directors of the Company does not regard Ms Ronen as being an independent non-executive director for the purposes of the Combined Code. Ms Ronen is a partner of Viola Private Equity I L.P. that, as at the date of this document, holds approximately 23.13% of the Company's issued share capital.

#### **Resolution 6 (approval of the terms of engagement of Mr Osnat Ronen)**

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 Ms Osnat Ronen as a director of the Company, as set out in her draft letter of appointment to be entered into by the Company and Ms Ronen, a copy of which will be produced to the EGM. Ms Ronen will be paid a basic sum of NIS 48,000 (gross) per annum plus a sum of NIS 4,000 (gross) per each meeting of the board of directors or any meeting of a board committee which she attends.

### **Resolution 7 (election 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. Therefore, after the EGM (assuming Mr Olswang is elected as statutory external director and Mr Rosenberg is re-elected as such) the Company expects to publish its results for the financial year of 2008 once the results are approved by the audit committee and the board of directors of the Company.

This resolution provides for the appointment of Mr Simon Olswang as a statutory external director. In order to comply with the Companies Law, Mr Olswang is not subject to the retirement by rotation provisions in the Company's Articles of Association. As a statutory external director, his term of appointment will be for three years commencing on 1 April 2009, but may be extended for a further term of three years.

Mr Olswang, aged 64, retired in June 2002 from his role as Chairman of Olswang, a European law firm headquartered in London, which he founded in 1981. Mr Olswang who recently completed his term of office as a member of the Board of The British Library, is a member of the board of directors of Amdocs Ltd (DOX), of the board of advisers of Palamon Capital Partners LLP and of the British Screen Advisory Council where for several years during the 1990's he chaired the Council's Convergence Working Party.

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

### **Resolution 8 (re-election of Mr Michael Rosenberg as a statutory external director)**

The three-year appointment of Mr Rosenberg as a statutory external director is due to expire on 2 March 2009. This resolution therefore provides for the re-appointment of Mr Michael Rosenberg as a statutory external director for an additional term commencing on 1 April 2009 and expiring on 2 March 2012. In order to comply with the Companies Law, Mr Rosenberg is not subject to the retirement by rotation provisions in the Company's Articles of Association but his appointment must not be extended for an additional term beyond 2 March 2012.

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

### **Resolution 9 (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 their respective draft letters of appointment to be entered into by the Company and each of Mr Olswang and Mr Rosenberg, copies of which will be produced to the EGM. Each of Mr Olswang and Mr Rosenberg will be paid a basic sum of NIS 95,000 (gross) per annum plus a sum of NIS 3,800 (gross) per each meeting of the board of directors or any meeting of a board committee which they attend.

### **Resolution 10 (approval of Gil Nussbaum's employment agreement)**

Mr Nussbaum has been appointed by the Company as its Chief Financial Officer (CFO) and a member of the board of directors of the Company with effect from 10 December 2008.

Mr Nussbaum entered into an employment agreement with the Company in respect of his employment as the Company's CFO as of 1 December 2008 conditional on the approval of the

general meeting of the Company. Pursuant to the terms of such agreement, both the Company and Mr Nussbaum may terminate the agreement at any time on giving to the other party not less than three months' prior written notice. The Company may also terminate the agreement immediately for cause (as defined in the agreement) by giving Mr Nussbaum written notice. Mr Nussbaum is entitled to receive a monthly salary of NIS 35,000 during the term of the agreement. The agreement contains certain non-compete covenants from Mr Nussbaum in favour of the Company.

#### **Resolution 11 (approval of exemption and indemnification agreements)**

This resolution authorises the Company to enter into exemption and indemnification agreements between the Company and each of Mr Holender, Mr Beit-On, Ms Ronen, Mr Olswang, Mr Rosenberg and Mr Nussbaum, in a form to be produced to the EGM.

The exemption and indemnification agreements are on substantially the same terms and conditions as the 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 12 (extension of D&O insurance policy)**

This resolution authorises the Company to extend its existing directors' and officers' liability insurance policy to cover Mr Holender, Mr Beit-On, Ms Ronen, Mr Olswang, Mr Rosenberg and Mr Nussbaum. The proposed extension has already been approved by the audit committee and the board of directors of the Company.

#### **Voting requirements**

Under the Companies Law resolutions 1 to 6 (inclusive) and resolutions 10 to 12 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).

Under the Companies Law resolutions 7 to 9 (inclusive) require a special majority in favour in order for the resolution to be validly passed. Under the Companies Law, a resolution concerning the election and terms of engagement of external directors require 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 resolutions 7 to 9 (including) has already been obtained.

#### **Documents available for inspection**

The draft letters of appointment for Mr Holender, Mr Beit-On Ms Ronen, Mr Olswang and Mr Rosenberg, the employment agreement for Mr Nussbaum and the draft exemption and indemnification agreements for Mr Holender, Mr Beit-On, Ms Ronen, Mr Olswang, Mr Rosenberg and Mr Nussbaum will be available for inspection at the registered office of the Company, DN

Galil Elyon 1, 12335, Israel, and 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 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 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

**Tal Yeshua**  
**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 St Magnus House, 3 Lower Thames Street, London EC3 6HE, England on Wednesday, 1 April 2009 commencing at 9am for the following purposes:

- 1 To elect Mr Zeev Holender as a director of the Company to hold office until the next annual general meeting.
- 2 To consider and, if thought fit, pass the following resolution:  
That the terms of appointment and remuneration of Mr Zeev Holender as a director of the Company, as set out in his draft letter of appointment to be entered into by the Company and Mr Holender, a copy of which is produced to the meeting and initialled for the purposes of identification by the chairman of the meeting, be and are hereby approved.
- 3 To elect Mr Harel Beit-On as a director of the Company to hold office until the next annual general meeting.
- 4 To consider and, if thought fit, pass the following resolution:  
That the terms of appointment and remuneration of Mr Harel Beit-On as a director of the Company, as set out in his draft letter of appointment to be entered into by the Company and Mr Beit-On, a copy of which is produced to the meeting and initialled for the purposes of identification by the chairman of the meeting, be and are hereby approved.
- 5 To elect Ms Osnat Ronen as a director of the Company to hold office until the next annual general meeting.
- 6 To consider and, if thought fit, pass the following resolution:  
That the terms of appointment and remuneration of Ms Osnat Ronen as a director of the Company, as set out in her draft letter of appointment to be entered into by the Company and Ms Ronen, a copy of which is produced to the meeting and initialled for the purposes of identification by the chairman of the meeting, be and are hereby approved.
- 7 To appoint Mr Simon Olswang as a statutory external director of the Company for a three-year period expiring on 1 April 2012.
- 8 To re-appoint Mr Michael Rosenberg as a statutory external director of the Company for a period commencing on 1 April 2009 and expiring on 2 March 2012.
- 9 To consider and, if thought fit, pass the following resolution:  
That 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 their draft letters of appointment to be entered into by the Company and each of Mr Olswang and Mr Rosenberg, copies of which are produced to the meeting and initialled for the purposes of identification by the chairman of the meeting, be and are hereby approved.

- 10 To consider and, if thought fit, pass the following resolution:
- 11 That the terms of appointment and remuneration of Mr Gil Nussbaum as chief financial officer and a director of the Company, as set out in his employment agreement, be and are hereby approved.
- 12 To approve the entering into of the indemnification agreements between the Company and each of Mr Holender, Mr Beit-On, Ms Ronen, Mr Olswang, Mr Rosenberg and Mr Nussbaum, copies of which are produced to the meeting and initialled for the purposes of identification by the chairman of the meeting.
- 13 To authorise the Company to extend its existing directors' and officers' liability insurance policy to cover Mr Holender, Mr Beit-On, Ms Ronen, Mr Olswang, Mr Rosenberg and Mr Nussbaum.

By Order of the Board

.....  
Director

Dated: 23 February 2009

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 9am on Friday, 27 March 2009, 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.