



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your shares in Amiad Filtration Systems Ltd., please send this document and the accompanying documents to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Amiad Filtration Systems Ltd.

(Registered in Israel under company number 51-249769-4)

NOTICE OF ANNUAL GENERAL MEETING

Notice of the annual general meeting to be held at St Magnus House, 3 Lower Thames Street, London, EC3R on Tuesday, 29 July 2008 commencing at 11.00am 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 annual 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

19 June 2008

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

Dear Shareholder

Annual General Meeting: Tuesday, 29 July 2008

You are cordially invited to attend the annual general meeting (the "AGM") of Amiad Filtration Systems Ltd. (the "Company") to be held at 11.00am on Tuesday, 29 July 2008 at St Magnus House, 3 Lower Thames Street, London, EC3R, England. The notice of AGM (which includes the resolutions to be proposed at the meeting) (the "Notice") is set out on pages 7 and 8 of this document, together with a form of proxy or (if you are a holder of depository interests in the Company) a form of direction.

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

- to receive the Company's annual reports and accounts for the year ended 31 December 2007 (the "Reports and Accounts");
- to re-appoint Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, as the Company's auditors and to authorise the directors of the Company to fix their remuneration;
- to re-elect the following directors of the Company who retire in accordance with the Company's articles of association (the "Articles") and, in each case being eligible, offer themselves for re election, to hold office until the conclusion of the next annual general meeting:
 - (a) Mr Tal Yeshua
 - (b) Mr Abraham Heifetz
 - (c) Mr Rami Treger
 - (d) Mr Dan Falk
 - (e) Mr Itamar Eder
 - (f) Dr Izhar Ben-Shlomo
- to authorise the Company to extend its existing directors' and officers' liability insurance policy for an additional 12-month period ending on 31 July 2009;
- to approve the entering into an amended and restated employment agreement with Mr Rami Treger, the chief executive officer of the Company;
- to approve an increase in the monthly (gross) remuneration of Mr Tal Yeshua from £1,500 to NIS 27,300 with effect from 1 August 2008;
- to approve a new method for determining the remuneration of Dr Izhar Ben-Shlomo, as detailed below;
- to approve a new method for determining the remuneration of Mr Dan Falk, as detailed below;
- to approve the payment of a special retirement bonus to Mr Abraham Heifetz of US\$25,000.

As the Company is not an English company, it is not required to produce a separate directors' remuneration report for approval by the shareholders in accordance with the Directors' Remuneration Report Regulations 2002.

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

Resolution 1 (receipt of the Reports and Accounts)

This resolution provides for the receipt of the Reports and Accounts.

Resolution 2 (re-appointment of auditors)

This resolution provides for the re-appointment of Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, as auditors of the Company.

Resolutions 3 to 8 (re-election of directors)

In accordance with the Articles, all of the directors (other than Michael Rosenberg OBE and Nathalie Schwarz, being the statutory external directors of the Company under Israeli law) will automatically retire at the AGM and, being eligible, offer themselves for re-election. Although Mr Abraham Heifetz is also seeking re-election, he has announced that he will cease to serve on the board of directors of the Company on 31 August 2008. Biographical details of each of the directors seeking re-election are contained in the Reports and Accounts (including, where relevant, their membership of the Company's audit committee).

Resolution 9 (extension of D&O insurance policy)

This resolution authorises the Company to extend its existing directors' and officers' liability insurance policy for an additional 12-month period ending 31 July 2009.

Resolution 10 (amended and restated employment agreement with Mr Treger)

This resolution approves the entering into an amended and restated employment agreement with Mr Rami Treger, in a form to be presented at the AGM, pursuant to which Mr Treger's basic (gross) monthly salary shall be increased from NIS 45,000 to NIS 65,000 with effect from 1 April 2008.

In addition, the notice period for termination of Mr Treger's employment with the Company shall be extended from three months to the following:

- for a notice served by either party between 1 August 2008 and 31 December 2008 (included) - six months;
- for a notice served by either party between 1 January 2009 and 31 December 2009 (included) - seven months;
- for a notice served by either party between 1 January 2010 and 31 December 2010 (included) - eight months;
- for a notice served by either party on or after 1 January 2011 - nine months.

All other terms of Mr Treger's existing employment agreement with the Company shall remain unchanged.

This resolution has been approved by the audit committee and the board of directors of the Company.

Resolution 11 (increase in the remuneration of Mr Yeshua)

This resolution provides for the approval of an increase in Mr Tal Yeshua's monthly (gross) remuneration from £1,500 to NIS 27,500 with effect from 1 August 2008.

Given recent fluctuations in foreign currency exchange rates, which resulted in the depreciation of the pound sterling against the New Israeli Shekel, the board of directors of the Company considers that it would be more appropriate for the remuneration of Mr Yeshua, who is based in Israel, to be in New Israeli Shekels.

This resolution has been approved by the audit committee and the board of directors of the Company.

Resolution 12 (new method for determining the remuneration of Dr Ben-Shlomo)

This resolution provides for the approval of a new method for determining the remuneration of Dr Izhar Ben-Shlomo. Dr Ben-Shlomo currently receives a fixed sum of £18,000 (gross) per annum. It is proposed that he 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 attended by him. The new method will be implemented as of 1 August 2008.

Given recent fluctuations in foreign currency exchange rates, which resulted in the depreciation of the pound sterling against the New Israeli Shekels, the board of directors of the Company considers that it would be more appropriate for the remuneration of Dr Ben-Shlomo, who is based in Israel, to be in New Israeli Shekels.

This resolution has been approved by the audit committee and the board of directors of the Company.

Resolution 13 (new method for determining the remuneration of Mr Falk)

This resolution provides for the approval of a new method for determining the remuneration of Mr Dan Falk. Mr Falk currently receives a fixed sum of £18,000 (gross) per annum. It is proposed that he will be paid a basic sum of NIS 72,000 (gross) per annum plus a sum of NIS 4,000 (gross) per each meeting of the board of directors attended by him. The new method will be implemented as of 1 August 2008.

Given recent fluctuations in foreign currency exchange rates, which resulted in the depreciation of the pound sterling against the New Israeli Shekels, the board of directors of the Company considers that it would be more appropriate for the remuneration of Mr Falk, who is based in Israel, to be in New Israeli Shekels.

This resolution has been approved by the audit committee and the board of directors of the Company.

Resolution 14 (payment of bonus to Mr Heifetz)

This resolution approves the payment of a special retirement bonus of US\$25,000 to Mr Abraham Heifetz, such payment to be made on 1 September 2008. This special retirement bonus reflects the Company's achievements under Mr Heifetz' chairmanship and his contribution to the Company.

This resolution has been approved by the audit committee and the board of directors of the Company.

Voting requirements

Under the Israeli Companies Law, 5759-1999 (the "Companies Law"), resolutions 1 to 10 (inclusive) and resolutions 13 and 14 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).

Resolutions 11 and 12 require 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 resolutions 11 and 12 has already been obtained.

The reason that a special majority is required for resolutions 11 and 12 to be validly passed is that Dr Ben-Shlomo and Mr Yeshua are regarded as "controlling shareholders" under the Companies Law due to their respective relationship with Kibbutz Amiad.

Documents available for inspection

The amended and restated employment agreement with Mr Treger will be available for inspection at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA, England from the date of this document until the date of the AGM and at the AGM from 10.45am until the conclusion of the meeting.

Form of proxy/Form of direction

As mentioned above, you will also find enclosed with this document a form of proxy (unless you are a holder of depository interests in the Company, in which case you will receive a form of direction) for use at the AGM.

If you are a member of the Company, whether or not you intend to be present at the meeting, you are requested to complete and return the form of proxy (in accordance with the instructions set out in that document) to the Company's transfer agent, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, as soon as possible and in any event so as to be received by the Company's transfer agent not less than 24 hours before the time fixed for the meeting or any adjourned meeting. Completion and return of a form of proxy will not prevent you from attending the meeting and voting in person, if you so wish.

If you are a holder of depository interests representing ordinary shares in the Company, please complete and return the form of direction (in accordance with the instructions set out in that document) to the Company's transfer agent, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, as soon as possible and in any event so as to be received by the Company's transfer agent by no later than 72 hours before the time fixed for the meeting or any adjourned meeting.

Directors' recommendation

The Directors believe that the adoption of each of the resolutions to be proposed at the AGM is in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend that you vote in favour of each resolution as they intend to do in respect of their own beneficial holdings.

Yours faithfully

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 St Magnus House, 3 Lower Thames Street, London, EC3R, England on Tuesday, 29 July 2008 commencing at 11.00am for the following purposes:

- 1 To receive the accounts of the Company for the year ended 31 December 2007 and the reports of the directors and auditors in relation thereto.
- 2 To re-appoint Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, as auditors of the Company to hold office until the conclusion of the next general meeting of the Company at which accounts and reports of the Company are received and to authorise the directors of the Company to fix their remuneration.
- 3 To re-elect Mr Tal Yeshua as a director of the Company.
- 4 To re-elect Mr Abraham Heifetz as a director of the Company.
- 5 To re-elect Mr Rami Treger as a director of the Company.
- 6 To re-elect Mr Dan Falk as a director of the Company.
- 7 To re-elect Mr Itamar Eder as a director of the Company.
- 8 To re-elect Dr Izhar Ben-Shlomo as a director of the Company.
- 9 To authorise the Company to extend its existing directors' and officers' liability insurance policy for an additional 12-month period ending on 31 July 2009.
- 10 To approve the entering into an amended and restated employment agreement with Mr Rami Treger in the form presented at the meeting.
- 11 To approve an increase in the monthly (gross) remuneration of Mr Tal Yeshua from £1,500 to NIS 27,300 with effect from 1 August 2008.
- 12 To approve a new method for determining the remuneration of Dr Izhar Ben-Shlomo, pursuant to which Dr Ben Shlomo shall be entitled to receive 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 of the Company attended by him, such new method to be implemented as of August 2008.
- 13 To approve a new method for determining the remuneration of Mr Dan Falk, pursuant to which he shall be entitled to receive a basic sum of NIS 72,000 (gross) per annum plus a sum of NIS 4,000 (gross) per each meeting of the board of directors of the Company attended by him, such new method to be implemented as of 1 August 2008.
- 14 To approve the payment of a special retirement bonus of US\$25,000 to Mr Abraham Heifetz on 1 September 2009.

By Order of the Board

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Director

Dated: 19 June 2008

Registered office: DN Galil Elyon 1, 12335, Israel

**Notes:**

1. A member who is entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on his or her behalf, provided that only one proxy may be appointed by a member in respect of a particular share held by him/her. A proxy need not be a member of the Company.
2. To be effective, a completed and signed proxy (and any power of attorney or other authority under which it is signed) must be delivered to the Company's transfer agent, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, not less than 24 hours before the time fixed for the meeting or any adjourned meeting. Completion and return of a proxy will not preclude a shareholder from attending and voting at the meeting in person.
3. The Company specifies that only those members entered on the Company's register of members by no later than 11.00am on Friday, 25 July 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 instruct 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.



