

2012



Business Overview
Ludan Group 2012



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1 Profile / Overview

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1. Profile / Overview

1.1 General introduction

The Ludan Group is listed at the Tel Aviv Stock exchange since 1997 (LUDN-Tel Aviv). Ludan Group is a provider of integrated project solutions, offering clients the full package of management, engineering, procurement and construction activities. The Ludan Group is active in many fields. Special know-how has been built up for the Process, Energy and Environmental business sectors.

The Ludan Group strongly believes that successful corporation can be achieved based on global experience and local approach.

The management teams of the different branches are close to the business and represent the GROUP identity.

Culture values

The objective of the management team is sharing culture values. Those values are adapted by the companies they represent. In this way the companies are really connected not only by IT and infrastructure but with common ideas shared between each other how to implement new business ideas and ways to develop internal programs for competence management.

Management team Ludan Group

- Yehuda Sarid – Joint C.E.O.
- Arnon Aharon – Joint C.E.O.
- Lilach Rozin – C.F.O.
- Shaul Sitton – Vice President Business Development
- Avi Lieber – C.E.O. of LudanTech Ltd
- Yehuda Drucker – C.E.O. of Ludan Environmental Technologies Ltd.
- Meshulam Granot – C.E.O. of Ludan Infrastructures and Construction Ltd.
- Dmitri Militescu – C.E.O. of Ludan Engineering srl & Regional Manager of Eastern Europe
- Frans Jansen – C.E.O. of KH Engineering bv/ Ludan Renewable Energy bv & Regional Manager of Western Europe

1.2 Group Highlights 2012

The Ludan Group continued to reach its target turnover and profit in 2012, although the market still showed signs of weakness as aftershock of the recent financial and economic crisis.

In consistent with the Group's long term strategies for its sustainable development, Ludan Group stretched its efforts to enlarge its operations by acquisitions and developing the renewable energy market by Ludan Renewable Energy (LRE) which is actively present in the bio-markets such as biogas in the Netherlands and Spain.

1.3 Group value statement – Global experience, Local approach

In all our communications we present the drive by our Group philosophy and try to bring the best of it to the market place. In all our business sectors there is an open and warm attitude and strong focus to reach common interests.

As Arnon Aharon stated on different occasions “by bringing business together”, this philosophy is still valid and stands our ideas today in daily operations:

“... Working together, we can bring value added solutions (both technically and economically) to our clients. Local presence enables us to be close to our clients, not only geographically, but also in spirit and understanding...”

The corporate logo reflects our leading business colors to the market.

The motion stands for dynamic solutions implemented in business execution.

In conclusion:

Commitments in projects and building up new business can only be achieved by clear understanding and awareness of identities and competences.

1.4 Group objectives, mission & strategy

The Ludan Group is developing in several directions to stabilize operations by capturing a broad business portfolio. Group Business development has a strong focus on partnering in projects and setting up new geographical corporations.

One of the directions is to be a partner in investments and to keep a shareholder value in the operations of such an investment. Leading strategy is that one of the Group companies will keep benefits or interest for the longer term e.g.: environmental, or supply of EPC services or the start of a new branch.

Upcoming markets like Gas transportation and storage or Biomass to green gas will positively affect our future business.

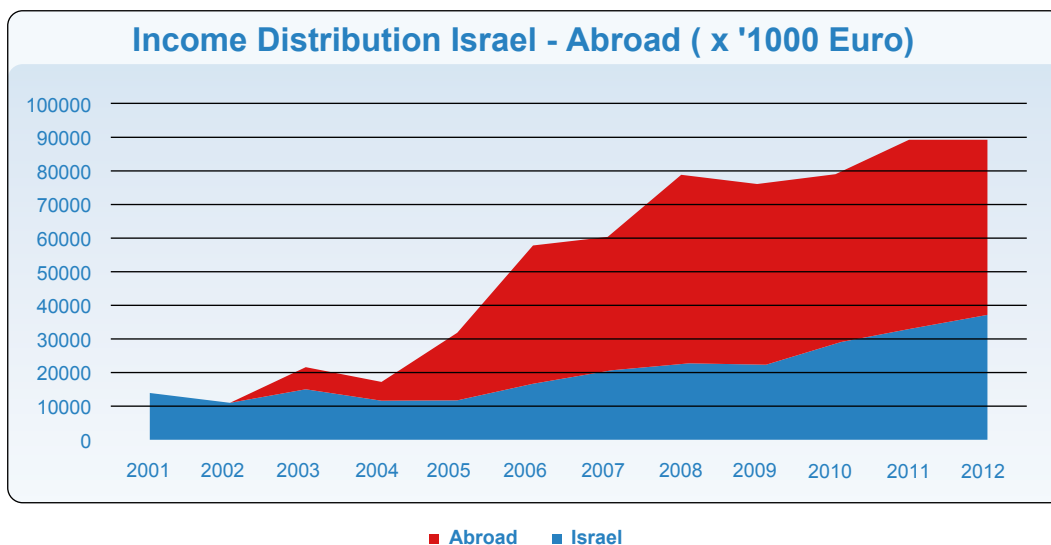
1.5 Selected financial highlights

1.5 a) Development of financial results 2010 - 2012 in EUR thsd.

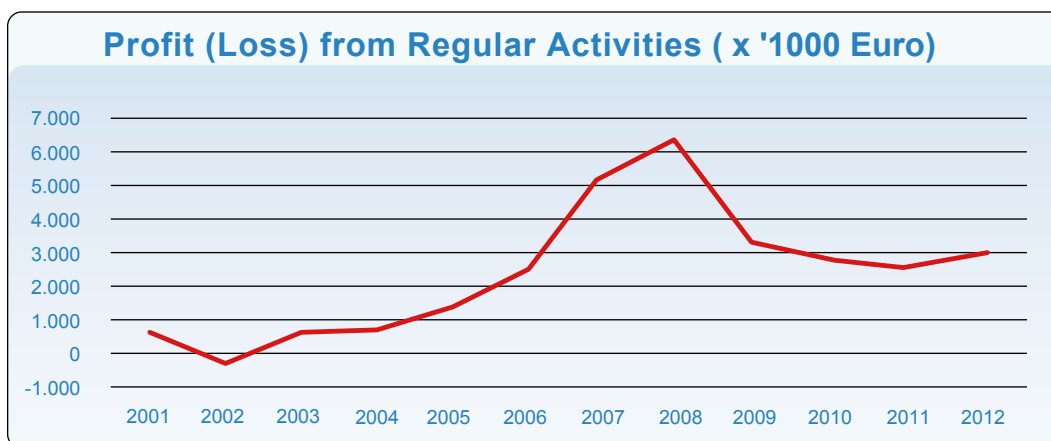
	2010	2011	2012
Current assets	36.382	37.038	45.115
Investments and long-term receivables	1.632	2.086	3.938
Fixed assets	4.775	(*)4.005	3.223
Intangible assets after amortization	5.260	(*)4.511	4.347
Total assets	48.049	47.640	56.622
Current liabilities	23.493	22.602	32.579
Long-term liabilities	7.225	8.603	7.340
Minority interest	3.649	2.767	2.485
Shareholders' equity	13.682	13.668	14.219
Total liabilities and shareholder's equity	48.049	47.640	56.622
in EUR (thsd)	2010	2011	2012
Sales	79.015	89.726	88.558
Gross Profit	10.943	11.307	11.349
Operating earnings	2.797	2.581	3.060
Earnings before income tax	2.120	2.195	2.314
Earnings after income tax	1.520	1.713	1.548

(*) Reclassified

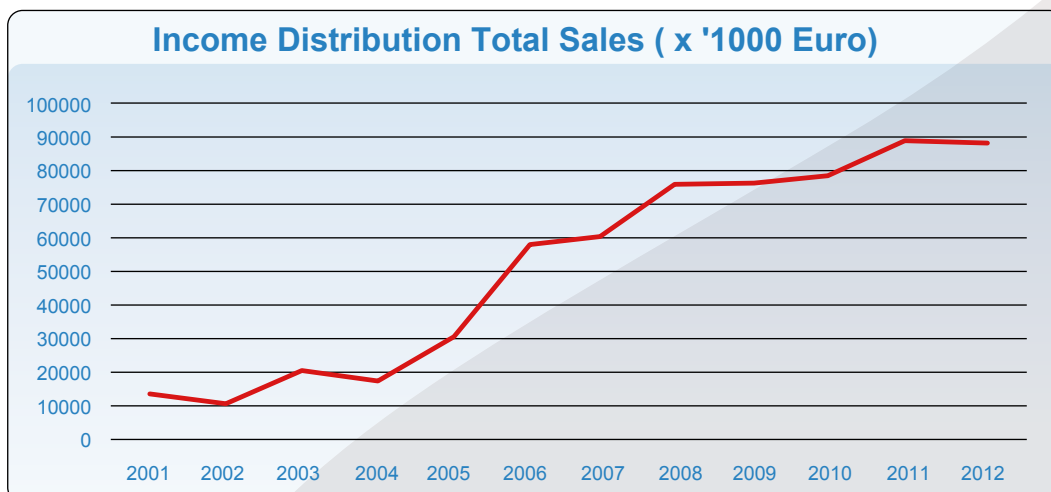
1.5 b) Income distribution Israel – Abroad



1.5 c) Profit from Regular Activities



1.5 d) Sales



1.5 e) Financial Statements 2010-2012

Consolidated Balance Sheet (in '1000 EUR)

	2010	2011	2012
Assets	48.049	47.640	56.622
Current assets:	36.382	37.038	45.115
Cash and cash equivalents	3.360	5.670	4.799
Restricted bank deposits	359	4.621	5.834
Financial asset at fair value	1.047	364	8
Income receivables	26.251	22.473	30.305
Other receivables	4.878	3.445	3.700
Inventory	487	465	469
Non-current assets:	11.667	10.602	11.507
Investments in affiliates	211	583	1.506
Others investments and receivables	828	561	1.061
Fixed assets (after amortization)	4.774	(*) 4.005	3.223
Intangible assets (after amortization)	5.260	(*) 4.511	4.347
Other assets	173	177	180
Deferred tax	421	764	1.190
Liabilities and shareholder's equity	48.049	47.640	56.622
Current liabilities:	23.493	22.602	32.579
Short term bank credit	2.173	1.423	4.091
Current maturities of long-term debt	1.463	1.480	-
Suppliers and Sub-contractors	5.994	(*) 8.575	14.839
Other Payables and credit balances	7.686	(*) 8.132	8.447
Advances from customers	5.995	2.689	4.912
Tax liabilities	147	302	290
Other	35	-	-
Long Term liabilities:	7.225	8.603	7.340
Bonds	1.463	-	-
Long term banks loans	2.241	5.625	4.341
Deferred tax	1.224	552	398
Non-current compensation liabilities	2.297	2.426	2.602
Minority interest	3.649	2.767	2.485
Shareholders equity	13.682	13.668	14.219

*Restatement

Consolidated Statements of Income (in '1000 EUR)

	2010	2011	2012
Income	79.015	89.726	88.558
Cost of income	68.072	78.419	77.209
Gross Profit	10.943	11.307	11.349
Administrative and general expenses	8.146	8.726	8.290
Operating earnings before other income	2.797	2.581	3.060
Other income (expenses), net	-	-	-
Operating earnings	2.797	2.581	3.060
Financial income (expenses), net	(385)	(416)	(659)
Affiliate companies profit (loss)	(292)	30	(87)
Earnings before income tax	2.120	2.195	2.314
Income tax	(600)	(483)	(766)
Earnings after income tax	1.520	1.713	1.548

1.6 Brief overview of group activities and prospective outlook

Ending of year 2012 shows a lot of new worldwide developments started with the “crisis recovery” on financial markets. This will effect investments and the growth of different markets. The flexibility of the Group companies anticipating this environment shows already new developments in other business areas and regions. Per region the market developments are different and per Group, the strategy has been adjusted for keeping our “local approach” beneficial in other markets.

On the longer term the Group will stay confident that industries will recover their production levels and that the supply chain will change close to the consumers in the regions we are active. Upstream markets and related energy market will take an important role for our Group of Companies.



2 Global experience, local approach



2. Global experience, local approach

Ludan group business profile is strongly driven and developed by the group strategy due to the fact that companies are working in the same sectors within their own local market places.

2.1 External

Mutual projects development & implementation by different group companies:

- Technology (Lextran, KH and Ludan). Ludan is a shareholder of Lextran technology. First's Lextran commercial installation was commissioned in China.
- Environmental (Ludan Environmental). Ludan Environmental performing a large contract in Romania for the same client served by Ludan Engineering locally and KH Process Engineering SRL.
- Geographically (KH and Ludan). After market observations in Romania, Ludan Group decided to establish KH Process Engineering SRL. This provides international clients with a broader package of services. Working together, KH Engineering delivered design EPC and LSTK projects in Romania with a large refinery client.
- KH International Projects (KHIP) achieved successfully entered into a Jointed Venture with a reputable Dutch construction contractor for the delivery of a full scale tank farm in the African continent.
- Outsourcing / Offshore (KH and Partner). For a Dutch client of KH Engineering, a partnership with an Asian detail engineering partner has been established. Other group members studied the same route for outsourcing packages.
- Process Control (Ludan Tech and Ludan SRL). Ludantech started up in Romania / Bulgaria for delivering full packages of Control Automation /Plant Automation including software supply.
- Renewable energy (LRE bv and LRE sl) developing and implementing biogas projects in Spain and the Netherlands where new capacities have been commissioned.

2.2 Internal

The Group operational management program has been developed for the following topics: Cultures, Competence management, 3D development / Tool Alignments, Marketing methodologies, IT synchronization, Training.



3 Merge & Acquisition

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3. Merge & Acquisition

3.1 Philosophy

3.1.1 Objectives

The external growth will be based on the following objectives:

New acquisitions - search for new acquisition on a continuous basis.

New acquisition should comply with the strategic preconditions and goals. Such preconditions will refer to synergism to group activities and geographical location.

3.1.2 Structure

Preferred acquisition structure will be based on partnership between Ludan Group, existing share holder or joining partner.

3.1.3 Support by Group Companies

The preferred alternative for a new operation is by the local entity, having its own management structure. The external growth will be based on the following internal strengths:

- (a) Group management level and local essential positions
- (b) Financial capability backed by external sources
- (c) Know how and past experience

3.1.4 New markets

Entering new markets by establishing local presence: Added value will be provided by the group's global experience with local approach. Entering a new market will be preferably based on a local existing entity. This challenge will target:

- (a) New services
 - Complementary services to the EPCM (validation, safety and others)
 - Developing new services (maintenance & operation)
- (b) New clients

3.2 Geographical

Expansion to new locations is divided in two periods of time:

3.2.1 Short term

The preferred location is Europe for the following reasons:

- (a) Fast growth in Eastern Europe.
- (b) European countries as part of a merging market - EU.
- (c) Similar culture.
- (d) Distance and time zone.
- (e) Significant industrial share in the economy.

3.2.2 Long term - other continents

- (a) Emerging markets: countries with high level of regulations.
- (b) Long term expected growth.
- (c) Commitment to environmental regulations.
- (d) Regional leaderships.

3.3 Technological

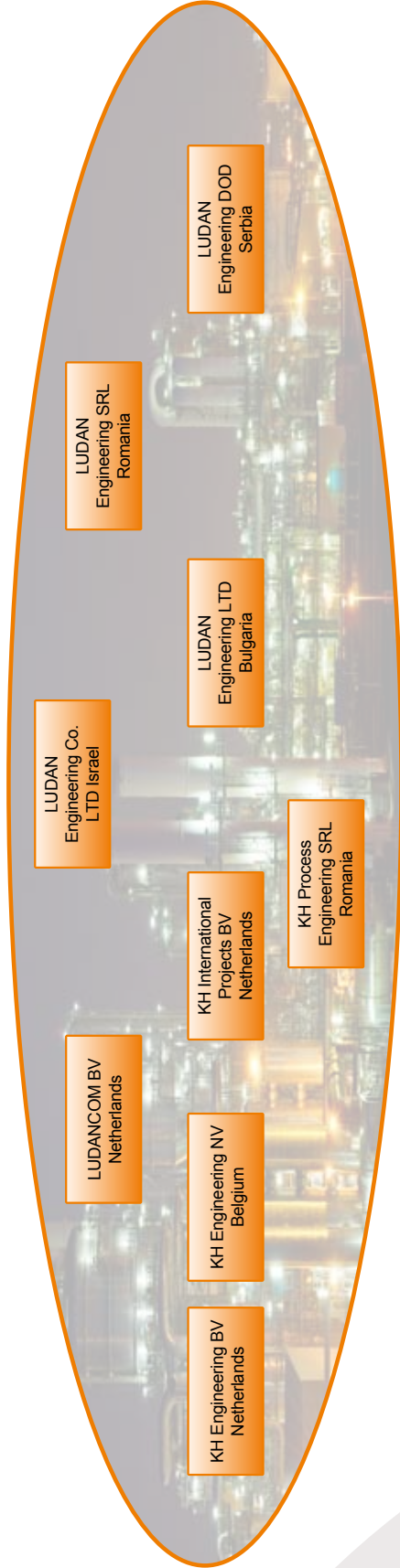
The Group will add products to its portfolio in the three technological sectors:

- (a) Software & process control.
- (b) Environmental.
- (c) Energy & renewable energy.

Access to additional potential technologies by:

- (a) Acquisition of new technologies.
- (b) Exclusive geographical representative rights delegated by international proven technologies' suppliers.
- (c) Investing in new technologies at various stages of development.

Project Implementation



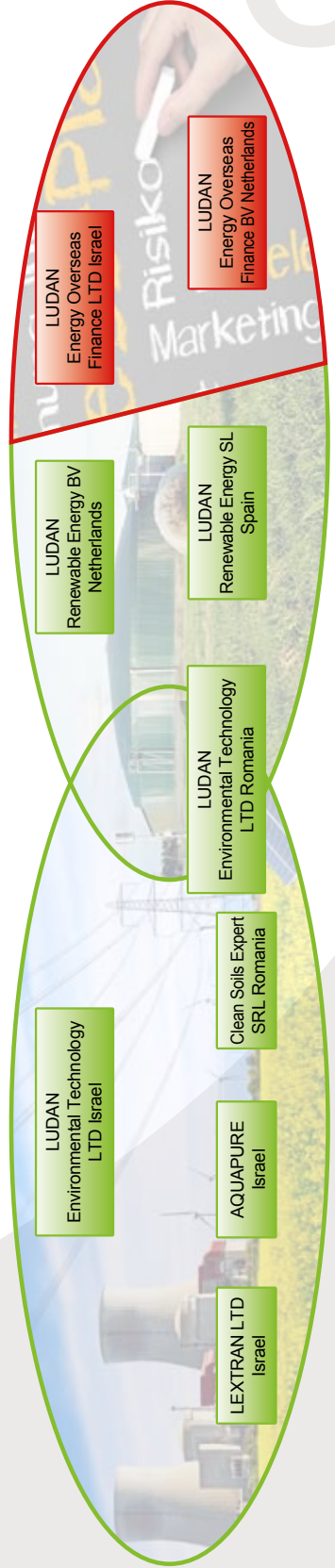
Plant Management Information Systems



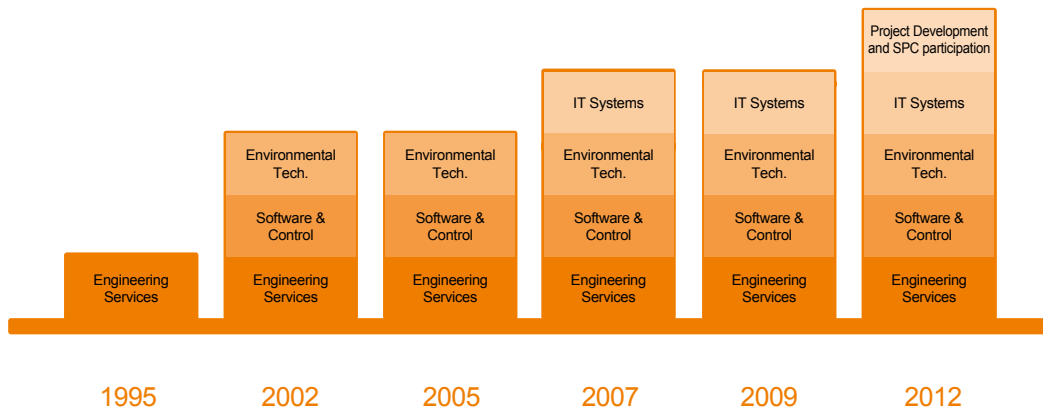
Environmental Solutions



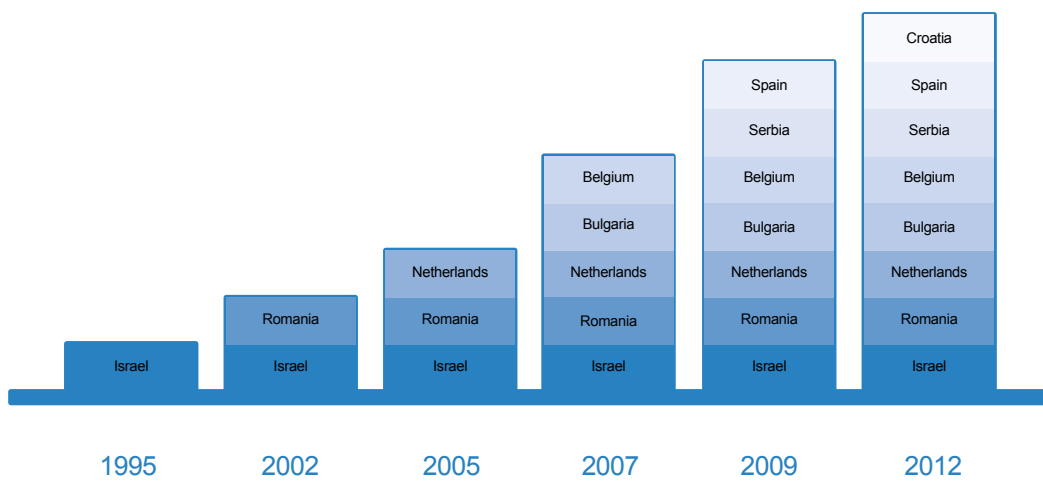
Renewable Energy/Financing



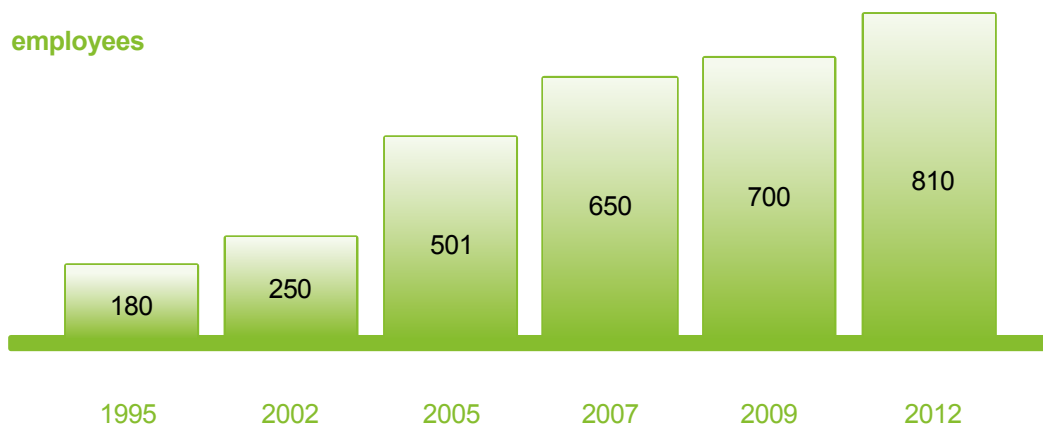
activity sectors



zones



employees

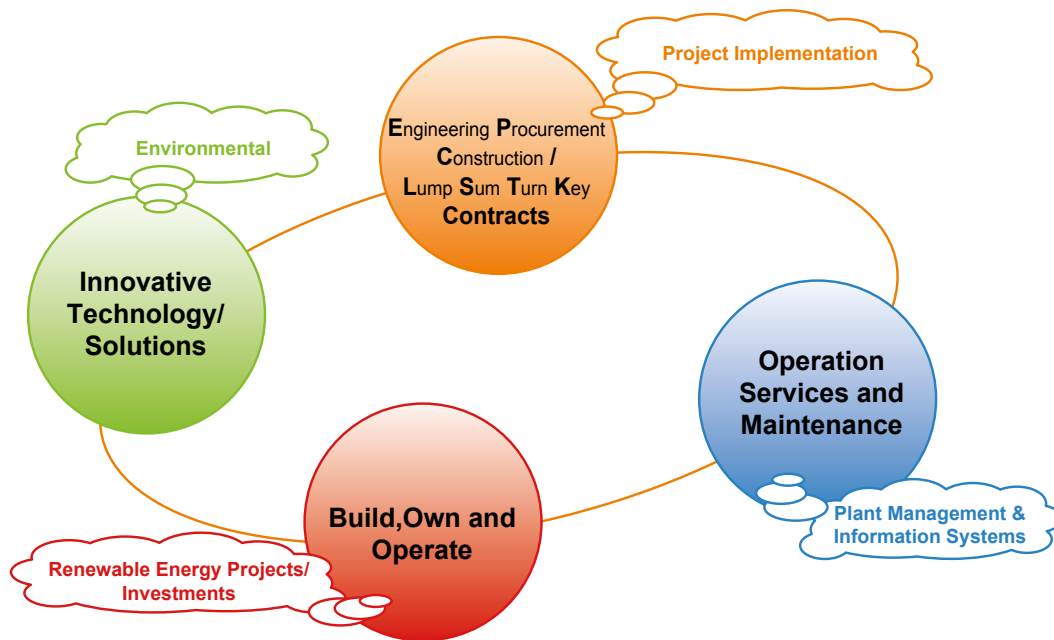


4 Spectrum of group services

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4. Spectrum of group services



4.1 Project implementation

4.1.1 Overview and Types of services

Ludan started their activities back in 1977 as an engineering services company that granted solely engineering services to the Israeli market while its most customers included chemical and petrochemical industry, in full expansion in the 1980s. As time went on, and the Israeli economy evolved under the globalization effect, Ludan started to provide, in addition to the engineering services, process control/ software services and environmental technologies and not only in Israel but in other countries like: Romania, the Netherlands a.o. and not only to the industries mentioned above but also to the food, pharmaceuticals, electronics, energy and infrastructure markets.

When Ludan says “Engineering Services” or “Project Implementation”, it means that the company provides such services and managing projects either in the form of EPCM (Engineering, Procurement, Construction, Management -full or partial -) or EPC Lump Sum Turn Key) contracts. So, each time that one of the company’s clients intends to implement a new plant or production facility or to upgrade or refurbish its existing ones, it can refer to Ludan and has the flexibility of selecting the most suitable contract type, either EPC(M) or EPC.

Such selection is typically done according to customer requirements and is influenced by the technology provider. When the client itself brings the technology that will operate the plant, Ludan will provide an EPCM contract; whereas there is no customer special technology involved, Ludan will perform the construction by a EPC contract, and will have the overall responsibility of handing-over to the client an operational installation (“turn-key”).

4.1.2 Labels:

- Ludan Engineering
- KH Engineering

4.1.3 Market segments:

- (a) Process industry (batch / continuous)
 - Oil & Gas exploration (onshore / offshore)
 - Refining and Petrochemical
 - Chemicals
- (b) Industrial Manufacturing
 - Metal / Steel production
 - Micro-electronics and process control systems
 - Power installations
- (c) Life science
 - Pharmaceutical
 - Bio-technologies
 - Food and Beverage
- (d) Energy
 - Renewable energy
 - Environmental solutions

4.1.4 Historical milestones

- (a) Ludan Engineering Co. Ltd.
 - 1977 - Foundation of Ludan Engineering Co. Ltd. (IL)
 - 1979 - Ludan IL South Branch
 - 1983 - Ludan IL North Branch
 - 1995 - Ludan Software & Control Ltd.
 - 1997 - Ludan IL - listed in Tel-Aviv Stock Exchange
 - 1997 - Foundation of Ludan Engineering SRL, Romania
 - 2005 - Ludancom BV by Ludan Group
 - 2005 - Acquisition of KH Engineering BV
 - 1949 - Foundation of KH Engineering as Keynes
 - Acquisition of KH Engineering by Matthew Hall Keynes
 - Acquisition of KH Engineering by Amec Engineering
 - 2007 - KH Engineering NV, Belgium
 - 2008 - Foundation of Ludan Engineering Ltd., Bulgaria
 - 2009 - Foundation of Ludan Engineering DOO, Serbia
- (b) 2007 - Foundation of Ludan Tech Ltd.
 - 2007 - Acquisition of Symcotech
 - 2008 - Acquisition of Tact.
 - Foundation of Ludan Software & Control Sys. SRL, Romania
- (c) 2007 - Foundation of Ludan Environmental Tech Ltd.
 - 2009 - Foundation of Ludan Renewable Energy in the Netherlands and Spain
 - 2010 - 2012 Foundation of several SPC's to Built, Own and Operate biogas plants..

4.2 Information technology systems/ Software and Control

Software and process control activity of Ludan, is the second largest activity in society, and similar to engineering activities, its growth depends on, among other things, foreign markets, but in a lesser manner than the engineering activities.

Within this activity the company installs and maintains software from reputable international suppliers to industrial companies (such as Plant Information Software), and process control systems for operating plants, primarily for process industry.

Arnon Aharon, joint-CEO of Ludan, admits that this activity is emerging from the engineering and environmental technologies, and explains that the bulk of growth stems out from the fact that this activity has a significant portion of its revenue from services support and maintenance. "This is an activity where the relationship with the customer is a long-term, and in average every 10 years, upgrading their systems is needed, so that this activity becomes an anchor of revenue" he says. "In any case, it is important to us to grow in every sector"

4.2.1 Types of services

- (a) Process Control Group performs process control projects for the processing industry in Israel and abroad. These control projects include all stages of plant process control design and implementation. Ludan Process Control Group is conducting also Turn Key projects supplying full process control and plant information systems.
- (b) Software section includes design, integration, installation and execution of projects in the field of computers for industrial applications.
- (c) Symcotech provides automated test solutions for a wide range of industries including aerospace & defense, avionics, industrial controls, RF microwave, and medical devices. With all development taking place in house, Symcotech is in a unique position to deliver sophisticated solutions that are highly cost efficient with the best performance in the industry.
- (d) Symcotech has developed some of the most sophisticated ticketing solutions in the world for public transportation as well as parking management systems.

4.2.2 Market segments

Smart Ticketing for Public Transport and Entrance Control: Railways and Buses.

Automated Test Software for: Aerospace & Defense, Avionics,
Industrial Controls, RF Microwave and Medical Device.

Software and Process Control: Refineries, Petrochemical, Power Stations,
Chemicals, Pharmaceutical & Biotechnology, Food & Beverages, Micro Electronics,
Transportation, Information Technology and Water & Waste Treatment.

Symcotech

Symcotech has been involved in a wide range of projects, whether upgrading existing manual and automatic test systems, developing automated test equipment for checking the most sophisticated equipment or developing systems for controlling production processes.

The Symcotech trademark service is excellent: delivery on budget and on time. Having a highly talented and dedicated staff allows Symcotech to successfully operate any project it undertakes, no matter how challenging. The vast professionalism that goes into the design, manufacturing and operation processes for advanced test equipment requires in depth research, intensive design and collaboration processes, meticulous production, supply, operational guidance and service - all of which require the top minds in the industry.

Software Applications

The pride and joy of the Symcotech development team, WnTESS is a unique management system for managing tests in automated checkups and maintenance operations of the units under test. Packed with features for the busy test technician, the application is a result of thousands of man-hours of experience accumulated over the years in the field of automated tests, and integrates the entire spectrum of customer demands throughout that period.

Experience & Knowledge

The extensive knowledge and experience can be seen in the company's wide array of products integrating exclusive qualities that have been formulated over two decades of working side by side, in addition to having unique knowledge in the optical and RF realms. Activity in the development and production of test tools that support the production and enable managing automated maintenance systems requires the highest level of professionalism.

Quality Systems

All Symcotech activities, beginning with the price quote and contract review, acquisition, production and right up to delivery to the customer, take place in accordance with ISO 9001:2000. In addition to the company's activities being regularly reviewed by the Israel Office of Standards and Regulations since receiving this distinction in 1995, Symcotech is a recognized Level A provider for The Israel Ministry of Defense.

World Class Customers

Symcotech's quality systems and product lines have been reviewed and authorized by leading industrial organizations in Israel such as Elop, the Israel Intelligence, Israel Aircraft Industries, and Elbit Systems.

4.3 Environmental solutions/ Renewable energy

4.3.1 Type of environmental solutions and technologies

Ludan provides technology solutions for the treatment of industrial wastewater (an issue that like the industry itself, is growing), industrial solid waste treatment, pollution surveys, designing and performing rehabilitation of land and groundwater and treating flue/ exhaust gases (mainly from power plants). To distinguish from other market players, Ludan decided to be involved in development and partial ownership of proprietary technologies in order to treat different forms of industrial pollution.

As a result, the company has now in its portfolio two technologies - Lextran and Aquapure.

Lextran uses special material (Catalyst) in order to reduce the emissions from the flue gases of the power plants. This activity is not yet substantially contributing to the company's turnover, but is expected to become more significant in the future.

"This technology addresses three pollutants simultaneously, so the cost of establishing and operating the facility saves the customer some money, at least half the cost of alternative technology", explains Ludan Group co-CEO, Arnon Aharon. "And yet, the penetration of this activity is slow," he stresses. "This is a very conservative market." Indeed, just recently, Ludan completed the construction the first industrial demonstration power station in Romania, and made the first commercial sale of technology in China. "In China, pollution from emissions of power plants is very high and the Chinese market still has no answer to it," explains Aaron. "Every week, at least four power stations with 5 megawatts each are setup in China. It's a lot."

4.3.2 Labels

- Ludan Environmental Technologies (Israel, Romania) – Industrial Waste Water Treatment
- Clean Soil Expert (Romania) - Hazardous sludge treatment.
- AQUAPURE – Advance Water Treatment (Advanced Oxidation by Non Thermal Plasma)
- LEXTRAN (Romania, China, Israel) – Power stations emissions treatment (NOx, SOx, Mercury and Heavy Metals)
- Ludan Renewable Energy (Netherlands, Spain) – Providing biogas/ biomass operational plants, Maintenance
- Ludan Overseas Energy Finance – Providing financing for Renewable Energy projects

4.3.3 Renewable Energy

Two years ago, the company began to invest some of its resources in energy production projects (electricity and / or thermal energy) using renewable (green) energy sources, mostly based on production of biogas based on recycled municipal waste, agricultural crops and organic waste (manure).

In this sector, the approach is therefore different than for the conventional Project Implementation contracts and is based on the so-called “Built, Own and Operate” (BOO) concept, in most of the cases being joined by a strategic local partner.

The activity is meant to move the company forward, and to be a significant growth engine while granting also a steady revenue flow.

Ludan decided to focus only on specific types of renewable energies (biogas, biomass, waste-to-energy) with a significant engineering component (our background being based on industrial process industry), while providing long-term integrated solutions for local communities.

The operational structure has been continuously reinforced and the targeted area has been expanded from Netherlands and Spain to Central and Eastern European countries.

During the year 2012, new biogas capacities implemented together with local strategic partners under this BOO concept have been commissioned and are now operational in both the Netherlands and Spain. On the same time, we witnessed some delays in Central and Eastern European mainly due to instability of the regulatory frame and consequent reluctance by financial institutions.

The foundation of more Special Purpose Companies is continuing while the number of renewable energy prospects in development by Ludan Renewable Energy (LRE) and Ludan Overseas Energy Finance (LEO) is close to 20.

Both in project development and operational areas, Ludan is dynamically adapting to the new challenges witnessed by the biogas industry that is gradually shifting away from the traditional agricultural crops and organic waste (manure) treatment towards industrial waste management operations.

4.4 Energy/Waste to Energy

Ludan Energy is a provider of engineering solutions for power stations and for renewable energy projects. It provides turnkey projects as well as EPCM services (Engineering, Procurement, Construction supervision and project Management). Ludan Energy's activities are split between conventional power plants and those grouped under renewable energies. It acts as an overall integrator for the design and supply of energy plants. Ludan Energy also collaborates with leading technology providers and equipment suppliers, thus providing the highest standards of quality and safety.

4.5 Expanding the Built, Own and Operate concept

Encouraged by the success proven by the BOO concept in the area of biogas projects, and in order to benefit from additional growth engine and revenue flow, Ludan decided to expand the similar concept to more and more applications.

Making use of the traditional links established between Ludan and the process industry, Ludan is investigating suitable strategic partnership with specific technology providers and/ or equipment suppliers in view of building and operating capacities able to deliver the needed services or utilities to process plant operators or other customers.

The range of possibilities is particularly large and Ludan is leveraging on its extensive experience record in order to cover a domain ranging from Environmental Services (like industrial waste water treatment or soil decontamination) to supply of critical utilities (like electricity, heat and others).

4.6 Miscellaneous

Ludan Infrastructure & Construction, Ludan Projects Darom,
Ludan Real Estate, Charisma Construct.

5 Auditor's Report

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5. Auditor's Report



BAKER TILLY

International Professionalism - Personal Development

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F +972-74-7144150
info@bakertilly.co.il
www.bakertilly.co.il

April 4, 2013

LUDAN ENGINEERING CO. LTD.

Petach - Tikva

Gentlemen,

At your request attached is an English translation of:

1. The consolidated statements of the financial position of the company as at December 31, 2012 and 2011.
2. The consolidated statement of income for the years ended December 31, 2012, 2011 and 2010.
3. Changes in shareholders' equity for the years ended December 31, 2012, 2011 and 2010.
4. The consolidated cash flows for the years ended December 31, 2012, 2011 and 2010.

These documents were translated from the original Hebrew financial statement of the company.

For the convenience of the readers the Euro/dollar/new Israeli shekel exchange rate at 31.12.2012 is:

\$1 = 3.733 NIS.

€1 = 4.921 NIS.

Sincerely yours,

Horowitz Idan Sabo Tevet & Cohen Tabach
Horowitz Idan Sabo Tevet & Cohen Tabach
Certified Public Accountants (Isr.)

Baker Tilly is a trading name of Horowitz Idan Sabo Tevet & Cohen Tabach



LUDAN ENGINEERING CO. LTD

Consolidated statements of financial position as at December 31

		2012	2011
	Note	NIS thousand	
ASSETS			
<u>Current assets</u>			
Cash and cash equivalents	4a	23,618	27,996
Restricted bank deposits	4b	28,708	22,819
Financial asset at fair value	5	38	1,796
Trade and income receivables	6	149,130	110,970
Other receivables and debit balances	7	15,076	14,160
Current tax receivables		3,131	2,854
Inventory		2,310	2,298
Total current assets		222,011	182,893
<u>Non-current assets</u>			
Affiliates - investments and loans	8	7,413	2,880
Loans to others	9	5,222	2,769
Fixed assets	10	15,858	(*) 19,777
Intangible assets	11	21,391	(*) 22,276
Other assets		887	876
Deferred tax	25	5,856	3,774
Total non-current assets		56,627	52,352
Total assets		278,638	235,245

(*) Reclassified

The notes to the financial statements form an integral part thereof.

LUDAN ENGINEERING CO. LTD

Consolidated statements of financial position as at December 31

		2012	2011
	Note	NIS Thousand	
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term credit from bank and others	12 a	20,130	7,028
Current maturities of long-term debt	13	-	7,309
Suppliers, Sub-contractors and Service-providers	14	73,022	(*) 42,343
Advances from customers		24,172	13,279
Other Payables and credit balances	15	41,570	(*) 40,158
Tax liabilities		1,425	1,489
Total current liabilities		160,319	111,606
Non-current liabilities:			
Long term loans from banks and others	12 b	21,360	27,777
Deferred tax	25	1,957	2,726
Non-current compensation liabilities	16	12,802	11,978
Total non-current liabilities		36,119	42,481
Total liabilities		196,438	154,087
Equity			
	18		
Share Capital		12,936	12,936
Share Premium		28,439	28,439
Currency translation adjustments		(3,227)	(2,984)
Cash flow hedges		848	76
Retained earnings		30,975	29,027
Total equity attributable to shareholders		69,971	67,494
Total equity attributable to Minority Interest		12,229	13,664
Total Equity		82,200	81,158
Total liabilities and Equity		278,638	235,245

(*) Reclassified

The notes to the financial statements form an integral part thereof.

**Lilach Rosen Shteinbook – Chief
financial officer**

**Arnon Aharon – Co Chief
executive Officer**

**Moshe Luski – Chairman
of the board of Directors**

Date of approval: March 24, 2013

LUDAN ENGINEERING CO. LTD

Consolidated Statements of income for the year ended December 31

	Note	2012	2011	2010
		NIS Thousand		
Revenue	20	435,795	443,067	391,144
Cost of revenue	21	379,946	387,235	336,973
Gross income		55,849	55,832	54,171
Business and development expenses		4,289	2,045	-
Administrative and general expenses	22	36,504	41,042	40,323
Operating income		15,056	12,745	13,848
Financial expenses	23	(4,166)	(3,633)	(4,710)
Financial income	23	923	1,581	2,803
Financial expenses, net		(3,243)	(2,052)	(1,907)
Share in profit (losses) of included companies	24	(426)	148	(1,446)
Income before Taxation		11,387	10,841	10,495
Taxation	25	3,769	2,384	2,971
Income for the year		7,618	8,457	7,524
Attributable to:				
Owners of the Company		7,077	6,913	4,637
Minority interest		541	1,544	2,887
		7,618	8,457	7,524
Earning per share attributable to owners of the Company (in NIS)	26			
Basic earning per share		0.61	0.60	0.41
Diluted earning per share		0.61	0.60	0.40

The notes to the financial statements form an integral part thereof.

LUDAN ENGINEERING CO. LTD**Consolidated statements of comprehensive income for the year ended December 31**

<u>Note</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<u>NIS Thousand</u>		
Income for the year	<u>7,618</u>	<u>8,457</u>	<u>7,524</u>
Comprehensive Profit (Loss)	<u>(397)</u>	<u>1,490</u>	<u>(5,658)</u>
Foreign currency translation differences for foreign operations			
Comprehensive Profit (loss) for the year, net of tax	<u>(397)</u>	<u>1,490</u>	<u>(5,658)</u>
Total annual comprehensive income, net of tax	<u>7,221</u>	<u>9,947</u>	<u>1,866</u>
Attributable to:			
Shareholders	<u>6,834</u>	<u>7,673</u>	<u>1,402</u>
Minority Interests	<u>387</u>	<u>2,274</u>	<u>464</u>
	<u>7,221</u>	<u>9,947</u>	<u>1,866</u>

The notes to the financial statements form an integral part thereof.

LUDAN ENGINEERING CO. LTD

Consolidated Statement of changes in equity

	Changes in equity attributes to owners equity							
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to owners of the company	Non Controlling Share holders	Total equity
As at 1 January 2012	12,936	28,439	(2,984)	76	29,027	67,494	13,664	81,158
Movement in 2012								
Profit for the year	-	-	-	-	7,077	7,077	541	7,618
Other comprehensive income:								
Exchange rate translation differences on foreign operations	-	-	(243)	-	-	(243)	(154)	(397)
Total comprehensive income	-	-	(243)	-	7,077	6,834	387	7,221
Dividend	-	-	-	-	(5,186)	(5,186)	(200)	(5,386)
Acquisition of shares non controlling share holders'	-	-	-	772	-	772	(1,622)	(850)
Share-Based Payment	-	-	-	-	57	57	-	57
Total capital as at 31 December 2012	12,936	28,439	(3,227)	848	30,975	69,971	12,229	82,200

NIS Thousand

The notes to the financial statements form an integral part thereof.

LUDAN ENGINEERING CO. LTD
Consolidated Statement of changes in equity - continued

	Changes in equity attributes to owners equity							Total equity
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to owners of the company	Non Controlling Share holders	
As at 1 January 2011	12,936	28,439	(3,744)	76	27,119	64,826	17,290	82,116
Movement in 2011								
Profit for the year	-	-	-	-	6,913	6,913	1,544	8,547
Other comprehensive income:								
Exchange rate translation differences on foreign operations	-	-	760	-	-	760	730	1,490
Total other comprehensive income	-	-	760	-	6,913	7,673	2,274	9,947
Dividend	-	-	-	-	(5,186)	(5,186)	(5,900)	(11,086)
Share-Based Payment	-	-	-	-	181	181	-	181
Total capital as at 31 December 2011	12,936	28,439	(2,984)	76	29,027	67,494	13,664	81,158

The notes to the financial statements form an integral part thereof.

LUDAN ENGINEERING CO. LTD
Consolidated Statement of changes in equity - continued

	Changes in equity attributes to owners equity							Total equity
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to owners of the company	Non Controlling Share holders	
As at 1 January 2010	12,724	27,431	(509)	-	26,943	66,589	17,112	83,701
Movement in 2010								
Profit for the year	-	-	-	-	4,637	4,637	2,887	7,524
Other comprehensive income:								
Exchange rate translation differences on foreign operations	-	-	(3,235)	-	-	(3,235)	(2,423)	(5,658)
Total comprehensive income	-	-	(3,235)	-	4,637	1,402	464	1,866
Dividend	-	-	-	-	(4,564)	(4,564)	(110)	(4,674)
Acquisition of shares non controlling share holders'	-	-	-	76	-	76	(176)	(100)
Exercise of stock options	212	1,008	-	-	-	1,220	-	1,220
Share-Based Payment	-	-	-	-	103	103	-	103
Total capital as at 31 December 2010	12,936	28,439	(3,744)	76	27,119	64,826	17,290	82,116

The notes to the financial statements form an integral part thereof.

LUDAN ENGINEERING CO. LTD
Consolidated Statement of cash flows for the year ended December 31

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<i>NIS Thousand</i>		
Cash flows from operating activities			
Cash derived by (used in) operating activities before finance and taxes, net (Appendix A)	26,445	49,736	(22,509)
Cash paid for interest	(2,380)	(2,496)	(1,679)
Cash received for interest	794	463	808
Cash paid for income tax	(7,420)	(5,705)	(5,495)
Cash received for income tax	516	811	350
Net cash derived by (used in) operating activities	<u>17,955</u>	<u>42,809</u>	<u>(28,525)</u>
Cash flows from investing activities			
Sale of marketable securities, net	1,758	2,758	9,543
Withdrawal (deposit) bank investments, net	(5,590)	(21,055)	4,417
Investment in affiliates, including loans	(4,959)	(1,707)	(776)
Purchase of fixed assets	(2,048)	(5,307)	(9,347)
Payment for Non-tangible assets	(807)	(2,496)	(2,304)
Loans Repaid (granted), net	(2,826)	(1,665)	(1,923)
Acquisition share from non controlling share holders	(850)	-	(100)
Proceeds from sale of fixed assets	20	116	110
Net cash used in investing activities	<u>(15,302)</u>	<u>(29,356)</u>	<u>(380)</u>
Cash flows from financing activities			
Receipt of long term loans from banks and others	5,000	19,583	7,152
Payment of long-term loans to banks and others	(3,190)	(2,705)	(3,309)
Repayment of other Financial liabilities	-	-	(7,996)
Short term bank credit changes	4,570	(3,199)	7,000
Repayment of debentures	(7,637)	(7,350)	(7,110)
Dividend paid	(5,186)	(5,186)	(4,564)
Proceeds from sale of shares option less costs	-	-	1,220
Dividends to minority interests in subsidiaries	(200)	(2,770)	(110)
Net cash in financing activities	<u>(6,643)</u>	<u>(1,627)</u>	<u>(7,717)</u>
Translation differences in respect of overseas units	<u>(388)</u>	<u>253</u>	<u>(3,856)</u>
Increase (decrease) in cash and cash equivalents	<u>(4,378)</u>	<u>12,079</u>	<u>(40,478)</u>
Cash and cash equivalents at the beginning of the year	<u>27,996</u>	<u>15,917</u>	<u>56,395</u>
Cash and cash equivalents at the end of year	<u>23,618</u>	<u>27,996</u>	<u>15,917</u>

The notes to the financial statements form an integral part thereof.

LUDAN ENGINEERING CO. LTD

Appendices to Consolidated Statement of cash flows for the year ended December 31**Appendices A. Cash derived by (used in) operating activities before finance and taxes, net:**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<i>NIS Thousand</i>		
Profit for the year	7,618	8,457	7,524
Expenses (revenues) not involving cash flows:			
Partial share of losses (gains) in of affiliated companies	426	(148)	1,446
Depreciation and amortization	7,610	13,726	10,368
Cost of share-based payment	57	181	103
Income tax	3,859	2,384	2,971
Financial asset fair value (gains) losses	-	184	(347)
Increase in employee benefits liabilities, net	824	1,067	1,290
Matching assets and liabilities, net of discount	1,808	2,939	2,315
	<u>22,202</u>	<u>28,790</u>	<u>25,670</u>
Changes in operating assets and liabilities:			
Decrease (increase) in Trade and income receivables	(38,469)	16,680	(33,863)
Decrease (increase) in Other receivables and debit balances	(740)	5,654	(1,852)
Decrease (increase) in inventory	(12)	11	150
Increase (decrease) in Suppliers, Sub-contractors and Service-providers	40,249	(*)5,427	(*) (11,187)
Increase (decrease) in Advances from customers	11,063	(16,688)	9,300
Increase (decrease) in Other Payables	(7,848)	(*)9,862	(*) (10,727)
	<u>4,243</u>	<u>20,946</u>	<u>(48,179)</u>
Cash derived by operating activity before finance and taxes, net	<u>26,445</u>	<u>49,736</u>	<u>(22,509)</u>

Appendices B. Non cash activities

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<i>NIS Thousand</i>		
Dividend to non controlling share holders in exchange for loans settlements	-	3,130	-

(*) Reclassified

The notes to the financial statements form an integral part thereof.

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