

2014



**Ludan Group
Business Overview
2014**



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5 Auditor's Report



1

Profile / Overview

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 its 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.

Ludan Group Management team

Yehuda Sarid	- Joint C.E.O.
Arnon Aharon	- Joint C.E.O.
Lilach Rozin	- C.F.O.
Shaul Sitton	- Vice President Business Development
Yuval Alon	- C.E.O. of Ludan Engineering Israel Ltd.
Avi Lieber	- C.E.O. of LudanTech Ltd
Tidhar Golan	- 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 & Regional Manager of Western Europe

1.2 Group Highlights 2014

The Ludan Group continued to reach its target turnover and profit in 2014, although the market still showed signs of weakness as aftershock of the recent financial and economic crisis. In consistency 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. Our subsidiary in Serbia has succeeded to widen its services in the local market and a new company has been registered in Russia.

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 with our clients.

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.

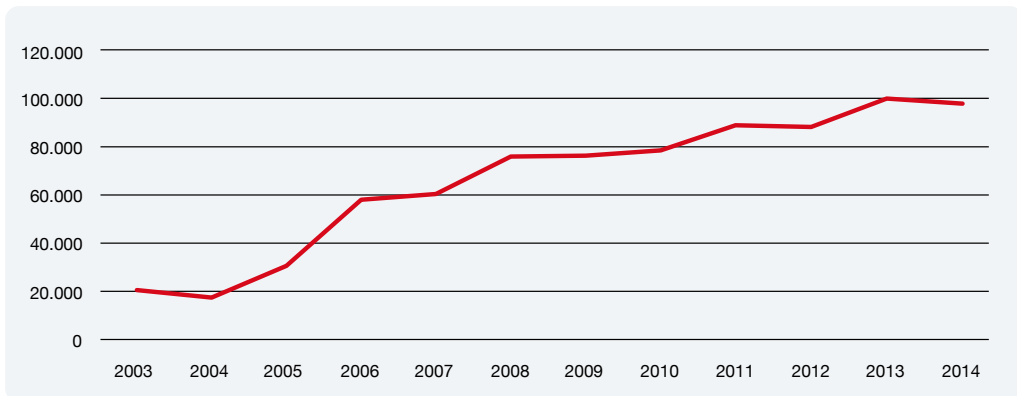
Upcoming markets like Gas transportation and storage or Biomass to green gas will positively affect our future business.

1.5 Selected financial highlights

1.5 a) Development of Financial results 2012 - 2014

Consolidated Balance Sheet (in '1.000 EUR)	2012	2013	2014
Current assets	45.115	50.957	44.931
Investments and long-term receivables	3.938	8.455	10.143
Fixed assets	3.223	3.142	2.754
Intangible assets after amortization	4.347	5.584	6.003
Total assets	56.622	68.138	63.831
* Reclassified			
Current liabilities	32.579	38.516	33.655
Long-term liabilities	7.340	12.120	14.398
Minority interest	2.485	1.843	1.047
Shareholders' equity	14.219	15.659	14.731
Total liabilities and shareholder's equity	56.622	68.138	63.831
Consolidated Results (in '1.000 EUR)	2012	2013	2014
Sales	88.558	100.284	98.662
Gross Profit	11.349	14.466	12.015
Operating earnings	3.060	5.008	2.580
Earnings before income tax	2.314	4.030	1.593
Earnings after income tax	1.548	2.650	1.113
EBITDA	4.580	6.190	3.849

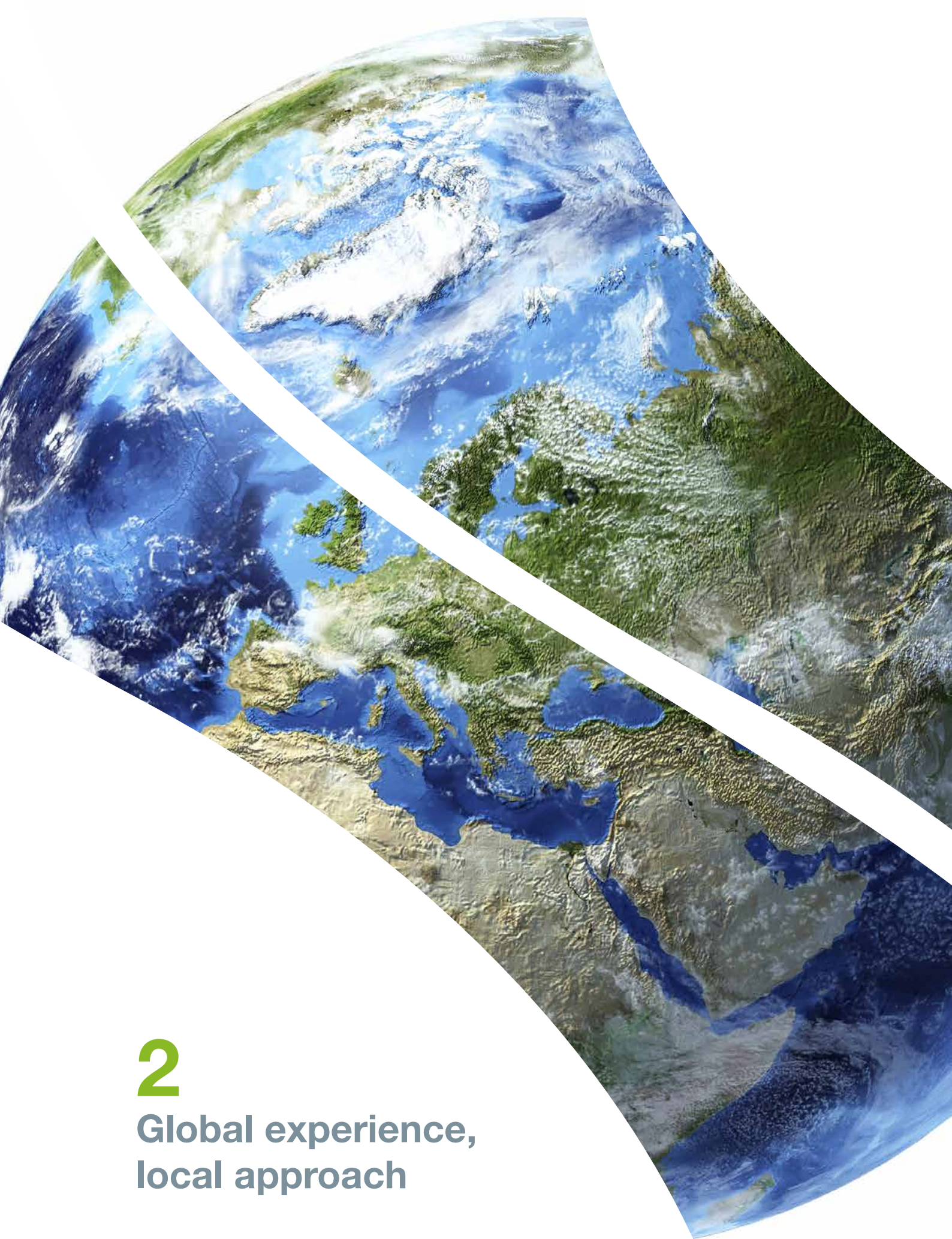
1.5 b) Total Sales (× '1.000 Euro)



1.6 Brief overview of group activities and prospective outlook

Ending of the year 2014 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 stays 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**

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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.

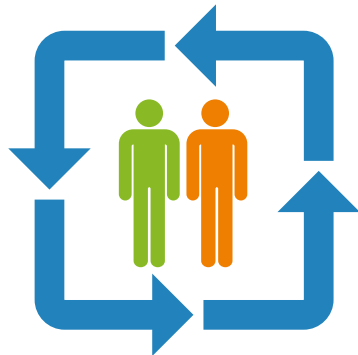
2.1 External

Mutual projects development & implementation by different group companies:

- LudanTech and Ludan Environmental have been contracted and served other Group members as “door openers” to their clients.
- A central Project Management Organization (PMO) has been organized to serve the entire group on large EPC projects.
- A distribution agreement was signed with a reputable technology provider securing Ludan’s role as preferred EPC contractor.

2.2 Internal

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



Global Experience

Working together, we can bring value added solutions (both technically and economically) to our clients.



Local Approach

Local presence enables us to be close to our clients, not only geographically, but also in spirit and understanding.



3

Mergers & Acquisitions

3

Mergers & Acquisitions

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 synergy to group activities and geographical location.

3.1.2 Structure

Preferred acquisition structure will be based on partnership between Ludan Group and 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.
- 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 four technological sectors:

- a) Software & process control.
- b) Environmental.
- c) Energy & renewable energy.
- d) Process industry

Access to additional potential technologies by:

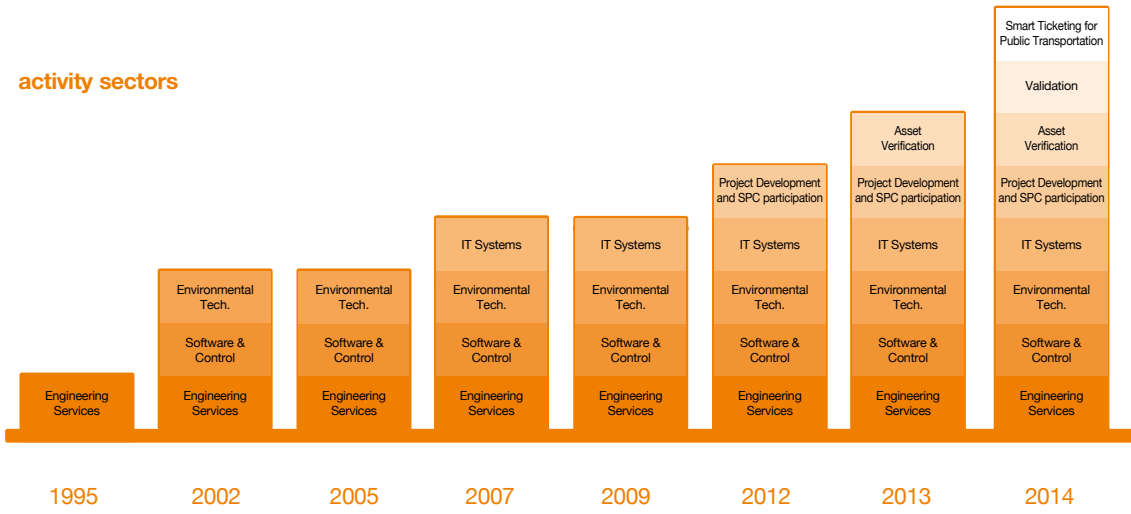
- a) Acquisition of new technologies.
- b) Exclusive geographical representative rights delegated by international proven technologies' suppliers.
- c) Investing in new technologies at various stages of development.

3.4 Results

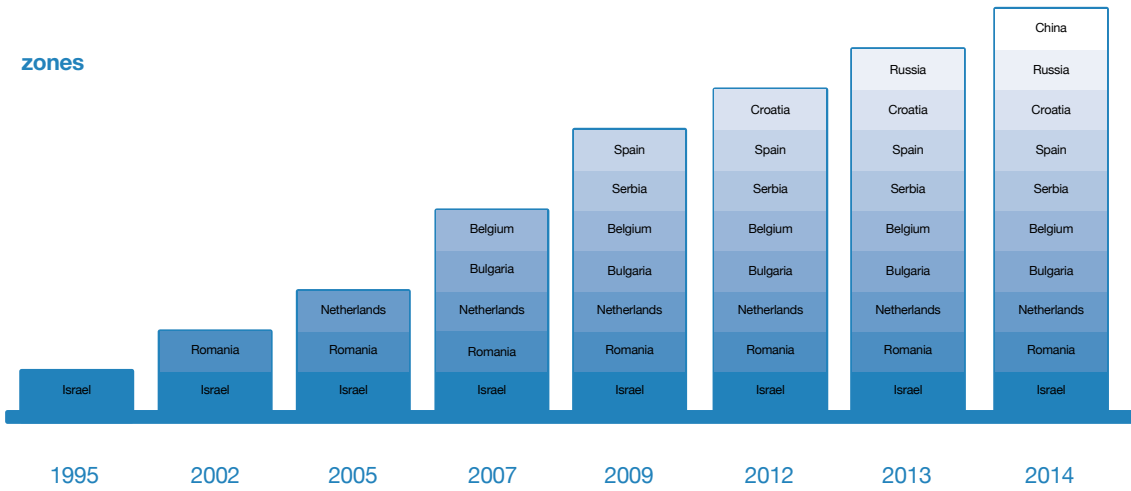
Based on the above methodology, the Group succeeded to execute:

- a) Merge of Bateman Engineering Israel into Ludan Engineering Israel. That way several non tangible assets have been possessed.
- b) Sales and asset transfer of IBS in the Netherlands of projects and employees.
- c) Promaen B.V. in the Netherlands and Serbia has been acquired to enlarge the Group's 3D design capabilities and will be the center of PDMS Excellence.
- d) Smart Engineering B.V. in the Netherlands has been acquired ,widening Group's competence in Natural Gas sector.

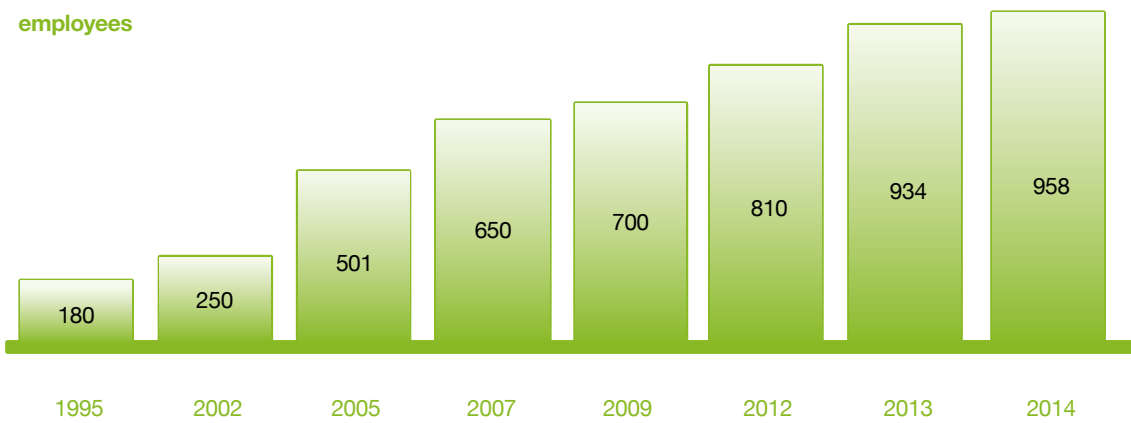
activity sectors



zones



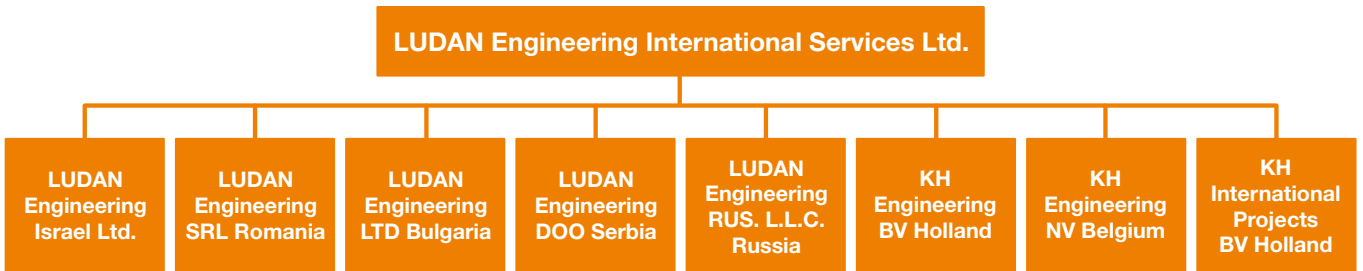
employees



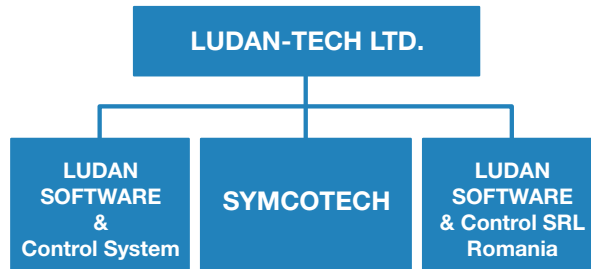
LUDAN-GROUP STRUCTURE

Ludan Engineering Co. Ltd. (Holding Company)

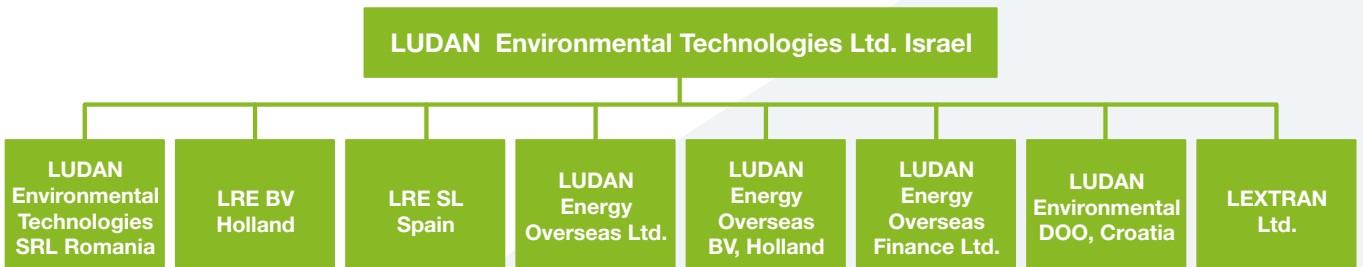
Project Implementation Ludan Engineering



Industrial IT Systems



Environmental & Energy



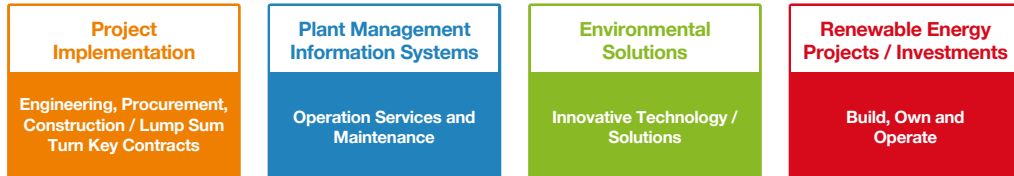


4

Spectrum of
group Services

4

Spectrum of group services



4.1 Project implementation

4.1.1 Overview and Types of services

Ludan started its activities back in 1977 as an engineering services company. It granted engineering services solely to the Israeli market. Majority of its customers consisted of chemical and petrochemical industries. 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 programming services and Environmental Solutions, not only in Israel but in other countries like: Romania, the Netherlands 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 Project Management 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 EPCM or EPC.

Such selection is typically done according to customer’s requirements and is influenced by the technology provider. When the customer itself brings the technology that will operate the plant, regularly Ludan will provide an EPCM contract; whereas if the customer has no 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
- c) Life science
 - Pharmaceuticals
 - Bio-technologies
 - Food and Beverages
- d) Energy
 - Renewable energy
 - Power Generation

4.1.4 Historical milestones

- a) Ludan Engineering Co. Ltd.
 - 1977 - Foundation of Ludan Engineering Co. Ltd.
 - 1979 - Ludan South Branch, Israel
 - 1983 - Ludan North Branch, Israel
 - 1995 - Foundation of Ludan Software & Control Ltd.
 - 1997 - Ludan - IPO in Tel-Aviv Stock Exchange
 - 1997 - Foundation of Ludan Engineering SRL, Romania
 - 2005 - Foundation of 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
 - 2014- Foundation of Ludan RUS Ltd., Russia
- 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 - 2014 Foundation of several SPC's to Build, Own and Operate biogas plants.

4.2 Information technology systems

4.2.1 *Software and Control*

Software and process control activity, is the second largest activity within Ludan. Within this activity the company installs and maintains software packages 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 are on a long-term basis, and in average every 10 years, upgrade of the 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"

4.2.2 *Types of services*

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.

Software section includes design, integration, installation and execution of projects in the field of computers for industrial applications.

4.2.3 *Market segments*

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

4.2.4 *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 Sycotech 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 Sycotech activities, beginning with the price quote and contract review, acquisition, production and write 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, Sycotech is a recognized Level A provider for The Israel Ministry of Defense.

World Class Customers

Sycotech'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.

Types of services

Sycotech 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, Sycotech is in a unique position to deliver sophisticated solutions that are highly cost efficient with the best performance in the industry.

Sycotech has developed some of the most sophisticated ticketing solutions in the world for public transportation as well as parking management systems.



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

4.3 Environmental solutions/ Renewable energy

4.3.1 Variety of environmental solutions and technologies

Ludan provides technological 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 have 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 flue gases of power plants. This activity is not yet substantially contributing to the company's turnover, but is expected to become more significant in the future.

4.3.2 Labels

- **Ludan Environmental Technologies (Israel, Romania)** – Industrial Waste Water Treatment
- **Clean Soil Expert (Romania)** – Hazardous sludge treatment.
- **LEXTRAN (Romania, China, Israel)** – Power stations emissions treatment (NOx, SOx).
- **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 and/ or Green Gas) 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 “Build, 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 on specific types of renewable energies (biogas, biomass, waste-to-energy) with a significant engineering component (our background being based on 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 2014, 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. At the same time, we witnessed some delays in Central and Eastern European markets mainly due to instability of the regulatory frame and consequent reluctance by financial institutions.

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



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Auditor's Report

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Auditor's Report



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Israel

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Fax: +972-74-7144150
info@bakertilly.co.il

April 1, 2015

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, 2014 and 2013.
2. The consolidated statements of income for the years ended December 31, 2014, 2013 and 2012.
3. Changes in shareholders' equity for the years ended December 31, 2014, 2013 and 2012.
4. The consolidated cash flows for the years ended December 31, 2014, 2013 and 2012.
5. Segment reporting for the years ended December 31, 2014, 2013 and 2012

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


For the convenience of the readers the Euro/Dollar/NIS exchange rate at 31.12.2014 is:

\$1 = 3.889 NIS.

€1 = 4.7246 NIS.

Sincerely yours,

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

look for us on 
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LUDAN ENGINEERING CO. LTD
Consolidated statements of financial position as at December 31

	(Audited) NIS thousands	
ASSETS	2013	2014
Current assets:		
Cash and cash equivalents	59,738	37,794
Restricted bank deposits	15,393	8,212
Financial asset at fair value	3	2
Trade and income receivables	139,821	133,052
Other receivables and debit balances	16,391	19,610
Current tax receivables	5,753	6,194
Inventory	6,580	7,419
Total current assets	243,679	212,283
Non-current assets:		
Affiliates - investments and loans	13,517	14,323
Trade receivables and loans to others	19,527	25,074
Fixed assets	15,027	13,012
Intangible assets	26,702	28,360
Other assets	1,116	451
Deferred tax	6,270	8,073
Total non-current assets:	82,159	89,293
Total assets	325,838	301,576

The notes to the financial statements form an integral part thereof

LUDAN ENGINEERING CO. LTD**Consolidated statements of financial position as at December 31**(Audited)
NIS thousands

LIABILITIES AND EQUITY	2013	2014
Current liabilities:		
Short-term bank credit and others	29,180	43,138
Suppliers, Sub-contractors and Service-providers	56,063	54,480
Advances from customers	38,371	12,019
Other Payables and credit balances	54,153	45,189
Tax liabilities	6,417	4,179
Total current liabilities	184,184	159,005
Non-current liabilities:		
Long term loans to banks and others	36,550	43,392
Payables in respect of the acquisition of a subsidiary	5,258	10,482
Deferred tax	1,000	685
Non-current compensation liabilities	15,153	13,466
Total non-current liabilities:	57,961	68,025
Total liabilities	242,145	227,030
Equity:		
Share Capital	12,936	12,936
Share Premium	28,439	28,439
Currency translation adjustments	(3,650)	(3,194)
Other hedges	(394)	(9,078)
Retained earnings	37,548	40,495
Total equity attributable to shareholders	74,879	69,598
Total equity attributable to Minority Interest	8,814	4,948
Total Equity	83,693	74,546
Total liabilities and Equity	325,838	301,576

The notes to the financial statements form an integral part thereof

 Moshe Luski - Chairman of
the board of Directors

 Arnon Aharon - Co Chief
executive Officer

 Lilach Shteinbook - Chief financial
Officer

Approval date of the financial statements: March 30, 2015

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

NIS Thousands

	2012	2013	2014
Revenue	435,795	480,961	468,416
Cost of revenue	379,946	411,583	411,373
Gross income	55,849	69,378	57,043
Business and development expenses	4,289	4,726	4,304
Administrative and general expenses	36,504	40,550	41,243
Operating profit before other income (expenses), net	15,056	24,102	11,496
Other income (expenses), net	-	(82)	755
Operating profit	15,056	24,020	12,251
Financial expenses	(4,166)	(5,862)	(6,726)
Financial income	923	2,250	2,004
Financial expenses, net	(3,243)	(3,612)	(4,722)
Share in profit (losses) of affiliated companies, net	(426)	(1,080)	32
Income before income taxes	11,387	19,328	7,561
Income taxes	3,769	6,622	2,279
Income for the year	7,618	12,706	5,282
Attributable to:			
Owners of the Company	7,077	12,323	2,947
Minority interest	541	383	2,335
	7,618	12,706	5,282
Earnings per share attributable to owners of the Company (in NIS):			
Basic and diluted earnings per share	0.61	1.07	0.26

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**

NIS Thousands

	2012	2013	2014
Income for the year	7,618	12,706	5,282
Comprehensive Profit (Loss):			
Items that can be reclassified into profit or loss:			
Foreign currency translation differences for foreign operations	(397)	(733)	(728)
Items that cannot be reclassified into profit or loss:			
Actuarial gain on defined benefit plans	52	549	502
Comprehensive Loss for the year, net of tax	(345)	(184)	(226)
Total comprehensive income for the year	7,273	12,522	5,056
Attributable to:			
Shareholders	6,886	12,449	3,090
Minority Interests	387	73	1,966
Total comprehensive income for the year	7,273	12,522	5,056

The notes to the financial statements form an integral part thereof



LUDAN ENGINEERING CO. LTD
Consolidated statements of changes in equity

	Capital attributed to the owners of the company							
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to the owners of the company	Non Controlling Share holders	Total
	Thousands NIS							
As at January 1, 2014	12,936	28,439	(3,650)	(394)	37,548	74,879	8,814	83,693
Movement in 2014								
Profit for the year	-	-	-	-	2,947	2,947	2,335	5,282
Other comprehensive income:								
Exchange rate translation differences on foreign operations	-	-	(359)	-	-	(359)	(369)	(728)
Actuarial gain on defined benefit plans	-	-	-	502	-	502	-	502
Total other comprehensive income for the year	-	-	(359)	502	2,947	3,090	1,966	5,056
Release of translation differences reserve for foreign operations	-	-	815	-	-	815	-	815
Net purchase of shares in the subsidiary from non-controlling interests	-	-	-	(9,186)	-	(9,186)	(5,832)	(15,018)
Total capital as at 31 December 2014	12,936	28,439	(3,194)	(9,078)	40,495	69,598	4,948	74,546

The notes to the financial statements form an integral part thereof

LUDAN ENGINEERING CO. LTD
Consolidated statements of changes in equity

	Capital attributed to the owners of the company							
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to the owners of the company	Non Controlling Share holders	Total
As at January 1, 2013	12,936	28,439	(3,227)	(943)	30,975	68,180	12,229	80,409
Movement in 2013								
Profit for the year	-	-	-	-	12,323	12,323	383	12,706
Other comprehensive income:								
Exchange rate translation differences on foreign operations	-	-	(423)	-	-	(423)	(310)	(733)
Actuarial gain on defined benefit plans	-	-	-	549	-	549	-	549
Total other comprehensive income for the year	-	-	(423)	549	12,323	12,449	73	12,522
Dividend to non controlling share holders' Share-Based Payment	-	-	-	-	(5,762)	(5,762)	(3,488)	(9,250)
Total capital as at 31 December 2013	12,936	28,439	(3,650)	(394)	37,548	74,879	8,814	83,693

The notes to the financial statements form an integral part thereof



LUDAN ENGINEERING CO. LTD
Consolidated statements of changes in equity

	Capital attributed to the owners of the company							
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to the owners of the company	Non Controlling Share holders	Total
As at 1 January 2012	12,936	28,439	(2,984)	(1,767)	29,027	65,651	13,664	79,315
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)
Actuarial gain on defined benefit plans	-	-	-	52	-	52	-	52
Total other comprehensive income	-	-	(243)	52	7,077	6,886	387	7,273
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 December 31, 2012	12,936	28,439	(3,227)	(943)	30,975	68,180	12,229	80,409

The notes to the financial statements form an integral part thereof

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

NIS Thousands

	2012	2013	2014
Cash flows from operating activities:			
Cash derived from (used in) operating activities before finance and taxes, net (Appendix A)	26,445	24,940	(16,096)
Interest paid	(2,380)	(3,634)	(5,091)
Interest received	794	1,077	2,120
Income tax paid	(7,420)	(6,486)	(8,115)
Income tax refund received	516	422	766
Net cash derived from (used in) operating activities	17,955	16,319	(26,416)
Cash flows from investing activities:			
Withdrawal (deposit) bank investments, net	(5,590)	13,397	7,006
Sale of marketable securities, net	1,758	35	-
Investment in affiliates, including loans	(4,959)	(7,257)	(810)
Purchase of fixed assets	(2,048)	(3,379)	(2,733)
Purchase of Intangible and other assets	(807)	(1,136)	(4,292)
Loans granted, net (Appendix B)	(2,826)	596	-
Purchase of shares in subsidiary	-	-	(1,674)
First time consolidation of subsidiary and activity (Appendix C)	-	1,081	143
Acquisition share from non controlling share holders	(850)	-	(5,000)
Proceeds from sale of fixed asset	20	378	2,284
Net cash derived from (used in) investing activities	(15,302)	3,715	(5,076)
Cash flows from financing activities:			
Receipt of long term loans from banks and others	5,000	26,100	13,373
Payment of long term loans to banks and others	(3,190)	(12,437)	(17,264)
Short term credit changes	4,570	8,693	14,750
Repayment of debentures	(7,637)	-	-
Dividend paid	(5,186)	(5,762)	-
Dividends to minority interests in subsidiaries	(200)	-	-
Net cash derived from (used in) financing activities	(6,643)	16,594	10,859
Translation differences in respect of overseas units	(388)	(508)	(1,311)
Increase (decrease) in cash and cash equivalents	(4,378)	36,120	(21,944)
Cash and cash equivalents at the beginning of the year	27,996	23,618	59,738
Cash and cash equivalents at the end of year	23,618	59,738	37,794

The notes to the financial statements form an integral part thereof

LUDAN ENGINEERING CO. LTD

Appendices to the consolidated statements of cash flows for the year ended December 31

Appendix A. Cash derived from (used in) operating activities before finance and taxes:

	NIS Thousand		
	2012	2013	2014
Profit for the year	7,618	12,706	5,282
Income and expenses not affecting cash flows:			
Partial share of (gains) losses in of affiliated companies	426	1,080	(32)
Depreciation and amortization	7,610	5,878	6,779
Cost of share-based payment	57	12	-
Income taxes	3,859	6,622	2,279
Income (loss) from sale of fixed assets, net	-	82	(755)
Increase (decrease) in employee benefits liabilities, net	824	(529)	(1,168)
Financial expenses, net	1,808	2,781	3,400
	22,202	28,632	15,785
Changes in operating assets and liabilities:			
Decrease (increase) in Trade and income receivables	(38,469)	(10,223)	7,424
Decrease (increase) in Other receivables and debit balances	(740)	1,308	88
Increase in Inventory	(12)	(4,270)	(874)
Increase (decrease) in Suppliers, Sub-contractors and service-providers	30,850	(14,119)	(1,695)
Increase (decrease) in Advances from customers	11,063	14,899	(26,040)
Increase (decrease) in Other Payables	1,551	8,713	(10,784)
	4,243	(3,692)	(31,881)
Cash derived from (used in) operating activity before finance and taxes, net	26,445	24,940	(16,096)

Appendix B. Non cash activities

Dividend to non controlling shareholders in exchange for loans settlements	-	3,488	-
Receivables from fixed assets	-	-	500
Services to clients given extended payment terms - presented in non-current assets	-	21,372	2,688
Purchase of subsidiary	-	6,891	-
Payable for the acquisition of share interest in subsidiary	-	-	5,921
Receivables from the sales of share interest in subsidiary	-	-	5,921
Seller's loan for the acquisition of share interest in subsidiary	-	-	10,000

The notes to the financial statements form an integral part thereof



LUDAN ENGINEERING CO. LTD**Appendices to the consolidated statements of cash flows for the year ended December 31**

Appendix C. First time consolidation of subsidiary and activity

	NIS Thousands		
	2012	2013	2014
Assets of the subsidiary and activity as of the consolidation date except cash and cash equivalents	-	4,960	5,445
Liabilities of the subsidiary and activity as of consolidation date	-	(5,404)	(5,018)
Customer relationships and goodwill	-	1,380	-
PPA not yet allocated	-	4,874	-
	-	5,810	427
Unpaid balance	-	6,891	570
	-	1,081	143

Segment reporting

The reporting format of the Group in accordance with the implementation of the “management approach”, as defined by IFRS 8, ie depending on the reporting format operating decision makers for allocating resources and assessing performance of the segments.

A. The group consists of the following main business segments:

1 Engineering Services

The Group provides engineering and operations management group projects in Israel and worldwide, through professional engineering and technical staff.

Engineering services provided through the establishment of industrial projects (mainly the construction of industrial plants manufacturing facilities) are services management, design, procurement and construction.

The Group also currently provides engineering services through the company’s human resources available to the customers for limited periods.

In addition, the Group provides engineering services in the form of Turn-Key projects, whereby they are responsible for the total of all stages of the project.

2 Software and Control Services

The Group, through its subsidiaries Symcotech and Ludan System and Control, develops and manufactures automated test systems, computerized ticketing systems and access control in the area of public transportation.

The group also provides software services, including marketing software products and their application for the client. It also specializes in instrumentation and control systems used for command and control of the operation of enterprises, mainly in process industries.

3 Energy and Environment

The Group, through Ludan Technologies, operates all group activities in environmental and energy in the country and abroad. Activity involves industrial wastewater technology solutions, consulting and implementation of land rehabilitation and groundwater, invasion gas treatment and contaminated waste water treatment.

Since 2010, energy operations are consolidated under “Energy and Environment” department.

This activity, in that sector, includes the Group’s activities in the energy sector and the design and construction of energy facilities and integrated normal cycle projects in the various stages of testing and programming in the green energy field.

- B. The results of the business segments include the segment’s revenues and costs and expenses relating directly to each segment. Joint expenses are reasonably allocated to segments.**
- C. Segment assets include all operating assets used by a segment and consist mainly of cash and cash equivalents, accounts receivable, inventory and fixed assets. Segment liabilities include all operating liabilities and mainly include commitment to suppliers, payables to banks and liabilities for employee severance benefits.**
- D. The segment results include transfers between segments. Transfers are recorded in accordance with the agreed transfer prices and are eliminated in the consolidated financial statements.**

Segment reporting - continued

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

E. Segment data:

	For the year ended December 31, 2014				
	Engineering Department	Software and Control Department	Energy and Environment Department	Cancellations	Total
	NIS thousands				
Revenues from external customers	324,722	66,747	76,947		
Inter segment transfers	5,728	7,599	8,652	(21,979)	
	330,450	74,346	85,599	(21,979)	468,416
Segment results	8,361	1,678	1,457		11,496
Other income, net					755
Financial expenses, net not allocated					(4,722)
Income taxes					(2,279)
Share in profit of affiliated companies					32
Income for the year					5,282

	For the year ended December 31, 2013				
	Engineering Department	Software and Control Department	Energy and Environment Department	Cancellations	Total
	NIS thousands				
Revenues from external customers	299,976	96,742	84,243		
Inter segment transfers	8,731	8,049	9,776	(26,556)	
	308,707	104,791	94,019	(26,556)	480,961
Segment results	11,118	5,820	7,164		24,102
Other expenses, net					(82)
Financial expenses, net not allocated					(3,612)
Income taxes					(6,622)
Share in losses of affiliated companies					(1,080)
Income for the year					12,706

	For the year ended December 31, 2012				
	Engineering Department	Software and Control Department	Energy and Environment Department	Cancellations	Total
	NIS thousands				
Revenues from external customers	291,178	72,078	72,539		
Inter segment transfers	7,636	753	1,052	(9,441)	
	298,814	72,831	73,591	(9,441)	435,795
Segment results	12,465	6,259	(3,668)		15,056
Financial expenses, net not allocated					(3,243)
Income taxes					(3,769)
Share in losses of affiliated companies					(426)
Income for the year					7,618

	December 31, 2014			
	Engineering Department	Software and Control Department	Energy and Environment Department	Total
	NIS thousands			
Segment assets	145,917	121,738	27,164	294,819
Joint assets that are not allocated				6,757
Total consolidated assets				301,576
Segment liabilities	86,992	95,364	39,054	221,410
Joint liabilities that are not allocated				5,620
Total consolidated liabilities				227,030
Capital investment	5,378	4,089	945	10,421
Joint capital investment that are not allocated				-
				10,421
Depreciation and amortization	5,047	1,457	40	6,544
Joint depreciation and amortization that are not allocated				235
				6,779

Segment reporting - continued

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

E. Segment data - continued:

	December 31, 2013			
	Engineering Department	Software and Control Department	Energy and Environment Department	Total
	NIS thousands			
Segment assets	163,591	120,279	34,112	317,982
Joint assets that are not allocated				7,856
Total consolidated assets				325,838
Segment liabilities	85,184	96,703	52,664	234,551
Joint liabilities that are not allocated				7,594
Total consolidated liabilities				242,145
Capital investment	11,378	588	7,279	19,245
Joint capital investment that are not allocated				-
				19,245
Depreciation and amortization	3,792	1,579	78	5,449
Joint depreciation and amortization that are not allocated				429
				5,878

Segment reporting - continued

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

F. Geographic regions

The Group operates to main geographical areas, as follows:

1. Israel.
2. Western Europe.
3. Eastern Europe.

Following is a summary of data to geographic areas:

	Sales revenue by geographic market		
	NIS thousands		
	2012	2013	2014
Israel	192,078	190,563	173,745
Western Europe	198,858	178,221	233,281
Eastern Europe	44,859	112,177	61,390
	435,795	480,961	468,416

	Segment assets		Capital investment	
	December 31		December 31	
	NIS thousands		NIS thousands	
	2013	2014	2013	2014
Israel	183,745	180,046	10,449	5,387
Western Europe	71,766	78,958	6,788	4,089
Eastern Europe	70,327	42,572	2,008	945
	325,838	301,576	19,245	10,421

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