

April 7, 2014

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, 2013 and 2012.
2. The consolidated statements of income for the years ended December 31, 2013, 2012 and 2011.
3. Changes in shareholders' equity for the years ended December 31, 2013, 2012 and 2011.
4. The consolidated cash flows for the years ended December 31, 2013, 2012 and 2011.


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 31.12.2013 is:

\$1 = 3.471 NIS.

€1 = 4.781 NIS.

Sincerely yours,

Horowitz Idan Sabo Tevet & Cohen Tabach
Certified Public Accountants (Isr.)look for us on www.bakertilly.co.ilBaker Tilly is a trading name of Horowitz Idan Sabo Tevet & Cohen Tabach
An independent member of Baker Tilly International

LUDAN ENGINEERING CO. LTD
Consolidated statements of financial position as at December 31

	December 31	
	2013	2012
	(Audited)	
	NIS thousands	
ASSETS		
<u>Current assets:</u>		
Cash and cash equivalents	59,738	23,618
Restricted bank deposits	15,393	28,708
Financial asset at fair value	3	38
Trade and income receivables	139,821	149,130
Other receivables and debit balances	16,391	15,076
Current tax receivables	5,753	3,131
Inventory	6,580	2,310
Total current assets	243,679	222,011
<u>Non-current assets:</u>		
Affiliates - investments and loans	13,517	7,413
Trade receivables and loans to others	19,527	5,222
Fixed assets	15,027	15,737
Intangible assets	26,702	21,512
Other assets	1,116	887
Deferred tax	6,270	(*) 6,453
Total non-current assets:	82,159	57,224
Total assets	325,838	279,235

(*) Restated due to the initial implementation of the amended Accounting Standard.

The notes to the financial statements form an integral part thereof

LUDAN ENGINEERING CO. LTD
Consolidated statements of financial position as at December 31

	December 31	
	2013	2012
	(Audited)	
	NIS thousands	
LIABILITIES AND EQUITY		
<u>Current liabilities:</u>		
Short-term bank credit and others	29,180	20,130
Suppliers, Sub-contractors and Service-providers	56,063	73,022
Advances from customers	38,371	24,172
Other Payables and credit balances	54,153	41,570
Tax liabilities	6,417	1,425
Total current liabilities	184,184	160,319
<u>Non-current liabilities:</u>		
Long term loans to banks and others	36,550	21,360
Payables in respect of the acquisition of a subsidiary	5,258	-
Deferred tax	1,000	1,957
Non-current compensation liabilities	15,153	(*) 15,190
Total non-current liabilities:	57,961	38,507
Total liabilities	242,145	198,826
<u>Equity:</u>		
Share Capital	12,936	12,936
Share Premium	28,439	28,439
Currency translation adjustments	(3,650)	(3,227)
Other hedges	(394)	(*) (943)
Retained earnings	37,548	30,975
Total equity attributable to shareholders	74,879	(*) 68,180
Total equity attributable to Minority Interest	8,814	12,229
Total Equity	83,693	(*) 80,409
Total liabilities and Equity	325,838	279,235

(*) Restated due to the initial implementation of the amended Accounting Standard.

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 Rosen Shteinbook -
Chief financial Officer**

Approval date of the financial statements: March 27, 2014

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>NIS Thousand</u>		
Revenue	480,961	435,795	443,067
Cost of revenue	411,583	379,946	387,235
Gross income	69,378	55,849	55,832
Business and development expenses	4,726	4,289	2,045
Administrative and general expenses	40,550	36,504	41,042
Other expenses, net	82	-	-
Operating profit	24,020	15,056	12,745
Financial expenses	(5,862)	(4,166)	(3,633)
Financial income	2,250	923	1,581
Financial expenses, net	(3,612)	(3,243)	(2,052)
Share in profit (losses) of affiliated companies, net	(1,080)	(426)	148
Income before taxation	19,328	11,387	10,841
Taxation	6,622	3,769	2,384
Income for the year	12,706	7,618	8,457
Attributable to:			
Owners of the Company	12,323	7,077	6,913
Minority interest	383	541	1,544
	12,706	7,618	8,457
Earnings per share attributable to owners of the Company (in NIS):			
Basic and diluted earnings per share	1.07	0.61	0.60

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>2013</u>	<u>2012</u>	<u>2011</u>
	<u>NIS Thousand</u>		
Income for the year	<u>12,706</u>	<u>7,618</u>	<u>8,457</u>
Comprehensive Profit (Loss):			
Items that can be reclassified into profit or loss:			
Foreign currency translation differences for foreign operations	<u>(733)</u>	<u>(397)</u>	<u>1,490</u>
Items that cannot be reclassified into profit or loss:			
Actuarial gain (loss) on defined benefit plans	<u>549</u>	^(*) 52	^(*) (635)
Comprehensive Profit (Loss) for the year, net of tax	<u>(184)</u>	^(*) (345)	^(*) 855
Total comprehensive income for the year	<u>12,522</u>	^(*) 7,273	^(*) 9,312
Attributable to:			
Shareholders	<u>12,449</u>	^(*) 6,886	^(*) 7,038
Minority Interests	<u>73</u>	<u>387</u>	<u>2,274</u>
Total comprehensive income for the year	<u>12,522</u>	^(*) 7,273	^(*) 9,312

(*) Restated due to the initial implementation of the amended Accounting Standard.

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					Attributable to the owners of the company	Non Controlling Share holders	Total
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings			
	<i>Thousands NIS</i>							
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'	-	-	-	-	(5,762)	(5,762)	(3,488)	(9,250)
Share-Based Payment	-	-	-	-	12	12	-	12
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						Non Controlling Share holders	Total
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to the owners of the company		
	<i>Thousands NIS</i>							
As at 1 January 2012	<u>12,936</u>	<u>28,439</u>	<u>(2,984)</u>	^(*) <u>(1,767)</u>	<u>29,027</u>	^(*) <u>65,651</u>	<u>13,664</u>	^(*) <u>79,315</u>
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	-	-	<u>(243)</u>	^(*) <u>52</u>	<u>7,077</u>	^(*) <u>6,886</u>	<u>387</u>	^(*) <u>7,273</u>
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	<u><u>12,936</u></u>	<u><u>28,439</u></u>	<u><u>(3,227)</u></u>	<u>^(*) (943)</u>	<u><u>30,975</u></u>	<u>^(*) 68,180</u>	<u><u>12,229</u></u>	<u>^(*) 80,409</u>

(*) Restated due to the initial implementation of the amended Accounting Standard.

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						Non Controlling Share holders	Total
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to the owners of the company		
	<i>Thousands NIS</i>							
As at 1 January 2011	12,936	28,439	(3,744)	^(*) (1,132)	27,119	^(*) 63,618	17,290	^(*) 80,908
Movement in 2011								
Profit for the year	-	-	-	-	6,913	6,913	1,544	8,457
Other comprehensive income:								
Exchange rate translation differences on foreign operations	-	-	760	-	-	760	730	1,490
Actuarial loss on defined benefit plans	-	-	-	^(*) (635)	-	^(*) (635)	-	^(*) (635)
Total other comprehensive income	-	-	760	^(*) (635)	6,913	^(*) 7,038	2,274	^(*) 9,312
Dividend	-	-	-	-	(5,186)	(5,186)	(5,900)	(11,086)
Share-Based Payment	-	-	-	-	181	181	-	181
Total capital as at December 31, 2011	<u>12,936</u>	<u>28,439</u>	<u>(2,984)</u>	<u>^(*) (1,767)</u>	<u>29,027</u>	<u>^(*) 65,651</u>	<u>13,664</u>	<u>^(*) 79,315</u>

(*) Restated due to the initial implementation of the amended Accounting Standard.

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

	2013	2012	2011
	NIS Thousand		
Cash flows from operating activities:			
Cash derived by operating activities before finance and taxes, net (Appendix A)	24,940	26,445	49,736
Interest paid	(3,634)	(2,380)	(2,496)
Interest received	1,077	794	463
Income tax paid	(6,486)	(7,420)	(5,705)
Income tax refund received	422	516	811
Net cash derived from operating activities	16,319	17,955	42,809
Cash flows from investing activities:			
Sale of marketable securities, net	35	1,758	2,758
Withdrawal (deposit) bank investments, net	13,397	(5,590)	(21,055)
Investment in affiliates, including loans	(7,257)	(4,959)	(1,707)
Purchase of fixed assets	(3,379)	(2,048)	(5,307)
Purchase of Intangible and other assets	(1,136)	(807)	(2,496)
Loans granted, net (Appendix B)	596	(2,826)	(1,665)
First time consolidation of subsidiary and activity (Appendix C)	1,081	-	-
Acquisition share from non controlling share holders	-	(850)	-
Proceeds from sale of fixed asset	378	20	116
Net cash derived from (used in) investing activities	3,715	(15,302)	(29,356)
Cash flows from financing activities:			
Receipt of long term loans from banks and others	26,100	5,000	19,583
Payment of long term loans to banks and others	(12,437)	(3,190)	(2,705)
Short term credit changes	8,693	4,570	(3,199)
Repayment of debentures	-	(7,637)	(7,350)
Dividend paid	(5,762)	(5,186)	(5,186)
Dividends to minority interests in subsidiaries	-	(200)	(2,770)
Net cash derived from (used in) financing activities	16,594	(6,643)	(1,627)
Translation differences in respect of overseas units	(508)	(388)	253
Increase (decrease) in cash and cash equivalents	36,120	(4,378)	12,079
Cash and cash equivalents at the beginning of the year	23,618	27,996	15,917
Cash and cash equivalents at the end of year	59,738	23,618	27,996

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 by (used in) operating activities before finance and taxes:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<i>NIS Thousand</i>		
Profit for the year	12,706	7,618	8,457
Income and expenses not affecting cash flows:			
Partial share of (gains) losses in of affiliated companies	1,080	426	(148)
Depreciation and amortization	5,878	7,610	13,726
Cost of share-based payment	12	57	181
Income tax	6,622	3,859	2,384
Loss from sale of fixed assets, net	82	-	-
Financial assets fair value loss	-	-	184
Increase (decrease) in employee benefits liabilities, net	(529)	824	1,067
Matching assets and liabilities, net of discount	2,781	1,808	2,939
	28,632	22,202	28,790
Changes in operating assets and liabilities:			
Decrease (increase) in Trade and income receivables	(10,223)	(38,469)	16,680
Decrease (increase) in Other receivables and debit balances	1,308	(740)	5,654
Decrease (increase) in Inventory	(4,270)	(12)	11
Increase (decrease) in Suppliers, Sub-contractors and service-providers	(14,119)	30,850	5,427
Increase (decrease) in Advances from customers	14,899	11,063	(16,688)
Increase in Other Payables	8,713	1,551	9,862
	(3,692)	4,243	20,946
Cash derived by operating activity before finance and taxes, net	24,940	26,445	49,736

Appendix B. Non cash activities

Dividend to non controlling shareholders in exchange for loans settlements	3,488	-	3,130
Services to clients given extended payment terms - presented in non-current assets	21,372	-	

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

	2013
	<i>NIS Thousand</i>
Assets of the subsidiary and activity as of the consolidation date except cash and cash equivalents	4,960
Liabilities of the subsidiary and activity as of consolidation date	(5,404)
Customer relationships and goodwill	1,380
PPA not yet allocated	4,874
	5,810
Unpaid balance	6,891
	1,081

LUDAN ENGINEERING CO. LTD

Notes to Financial Statements

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.

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data:

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)
Taxation					(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)
Taxation					(3,769)
Share in losses of affiliated companies					(426)
Income for the year					7,618

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data - continued:

	For the year ended December 31, 2011				
	Engineering Department	Software and Control Department	Energy and Environment Department	Cancellations	Total
	NIS thousands				
Revenues from external customers	319,196	58,547	65,324		
Inter segment transfers	10,414	1,108	433	(11,955)	
	<u>329,610</u>	<u>59,655</u>	<u>65,757</u>	<u>(11,955)</u>	<u>443,067</u>
Segment results	<u>8,673</u>	<u>5,003</u>	<u>(931)</u>		12,745
Financial expenses, net not allocated					(2,052)
Taxation					(2,384)
Share in gains of affiliated companies					148
Income for the year					<u>8,457</u>

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

LUDAN ENGINEERING CO. LTD**Notes to Financial Statements**

Segment reporting - continued**E. Segment data - continued:**

	December 31, 2012			
	Engineering Department	Software and Control Department	Energy and Environment Department	Total
	NIS thousands			
Segment assets	<u>134,020</u>	<u>77,697</u>	<u>59,551</u>	271,268
Joint assets that are not allocated				<u>7,967</u>
Total consolidated assets				<u>279,235</u>
Segment liabilities	<u>114,113</u>	<u>30,357</u>	<u>46,386</u>	190,856
Joint liabilities that are not allocated				<u>7,970</u>
Total consolidated liabilities				<u>198,826</u>
Capital investment	<u>2,689</u>	<u>153</u>	<u>92</u>	2,934
Joint capital investment that are not allocated				<u>4,958</u>
				<u>7,892</u>
Depreciation and amortization	<u>3,956</u>	<u>1,472</u>	<u>1,764</u>	7,192
Joint depreciation and amortization that are not allocated				<u>418</u>
				<u>7,610</u>

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

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		
	2013	2012	2011
	NIS thousands		
Israel	190,563	192,078	161,500
Western Europe	178,221	198,858	196,216
Eastern Europe	112,177	44,859	85,351
	480,961	435,795	443,067

	Segment assets		Capital investment	
	December 31		December 31	
	2013	2012	2013	2012
NIS thousands				
Israel	183,745	157,048	10,449	6,945
Western Europe	71,766	70,877	6,788	462
Eastern Europe	70,327	51,310	2,008	485
	325,838	279,235	19,245	7,892