

June 9, 2016

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, 2015 and 2014.
2. The consolidated statements of income for the years ended December 31, 2015, 2014 and 2013.
3. Changes in shareholders' equity for the years ended December 31, 2015, 2014 and 2013.
4. The consolidated cash flows for the years ended December 31, 2015, 2014 and 2013.
5. Segment reporting for the years ended December 31, 2015, 2014 and 2013.


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 31.12.2015 is:

\$1 = 3.902 NIS.

€1 = 4.2468 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	
	2015	2014
	(Audited)	
	NIS thousands	
ASSETS		
<u>Current assets:</u>		
Cash and cash equivalents	63,922	37,794
Restricted bank deposits	7,879	8,212
Financial asset at fair value	1	2
Trade and income receivables	170,780	133,052
Other receivables and debit balances	20,330	19,610
Current tax receivables	3,420	6,194
Inventory	15,179	7,419
Total current assets	281,511	212,283
<u>Non-current assets:</u>		
Affiliates - investments and loans	19,323	14,323
Trade receivables and loans to others	18,280	25,074
Fixed assets	20,604	13,012
Intangible assets	30,854	28,360
Other assets	455	451
Deferred tax	11,748	8,073
Total non-current assets:	101,264	89,293
Total assets	382,775	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

	December 31	
	2015	2014
	(Audited)	
	NIS thousands	
LIABILITIES AND EQUITY		
<u>Current liabilities:</u>		
Short-term bank credit and others	30,852	43,138
Suppliers, Sub-contractors and Service-providers	57,026	54,480
Advances from customers	37,904	12,019
Other Payables and credit balances	76,773	45,189
Tax liabilities	2,238	4,179
Total current liabilities	204,793	159,005
<u>Non-current liabilities:</u>		
Long term loans to banks and others	40,208	43,392
Bonds	48,577	-
Payables in respect of the acquisition of a subsidiary	2,365	10,482
PUT option to Minority Interest	6,540	-
Other long term payables	313	-
Deferred tax	955	685
Non-current compensation liabilities	12,562	13,466
Total non-current liabilities:	111,520	68,025
Total liabilities	316,313	227,030
<u>Equity:</u>		
Share Capital	12,936	12,936
Share Premium	28,439	28,439
Currency translation adjustments	(6,486)	(3,194)
Other hedges	(6,735)	(9,078)
Retained earnings	33,480	40,495
Total equity attributable to shareholders	61,634	69,598
Total equity attributable to Minority Interest	4,828	4,948
Total Equity	66,462	74,546
Total liabilities and Equity	382,775	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

Gonen Betser - Chief
financial Officer

Approval date of the financial statements: March 31, 2016

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<u>NIS Thousands</u>		
Revenue	518,816	468,416	480,961
Cost of revenue	466,278	411,373	411,583
Gross income	52,538	57,043	69,378
Business and development expenses	3,703	4,304	4,726
Administrative and general expenses	45,656	41,243	40,550
Operating profit before other income (expenses), net	3,179	11,496	24,102
Other income (expenses), net	(4,378)	755	(82)
Operating profit (expenses)	(1,199)	12,251	24,020
Financial expenses	(8,760)	(6,726)	(5,862)
Financial income	2,290	2,004	2,250
Financial expenses, net	(6,470)	(4,722)	(3,612)
Share in profit (losses) of affiliated companies, net	(192)	32	(1,080)
Income before income taxes	(7,861)	7,561	19,328
Income taxes (expenses)	(1,605)	2,279	6,622
Income for the year	(6,256)	5,282	12,706
Attributable to:			
Owners of the Company	(7,495)	2,947	12,323
Minority interest	1,239	2,335	383
	(6,256)	5,282	12,706
Earnings per share attributable to owners of the Company (in NIS):			
Basic and diluted earnings per share	(0.65)	0.26	1.07

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>2015</u>	<u>2014</u>	<u>2013</u>
	<u>NIS Thousands</u>		
Income for the year	<u>(6,256)</u>	<u>5,282</u>	<u>12,706</u>
Comprehensive Profit (Loss):			
Items that can be reclassified into profit or loss:			
Foreign currency translation differences for foreign operations	<u>(3,731)</u>	<u>(728)</u>	<u>(733)</u>
Items that cannot be reclassified into profit or loss:			
Release of translation differences reserve for foreign operations	<u>-</u>	<u>815</u>	<u>-</u>
Actuarial gain on defined benefit plans	<u>2,043</u>	<u>502</u>	<u>549</u>
Comprehensive Loss for the year, net of tax	<u>(1,688)</u>	<u>589</u>	<u>(184)</u>
Total comprehensive income for the year	<u>(7,944)</u>	<u>5,871</u>	<u>12,522</u>
Attributable to:			
Shareholders	<u>(8,744)</u>	<u>3,905</u>	<u>12,449</u>
Minority Interests	<u>800</u>	<u>1,966</u>	<u>73</u>
Total comprehensive income for the year	<u>(7,944)</u>	<u>5,871</u>	<u>12,522</u>

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, 2015	12,936	28,439	(3,194)	(9,078)	40,495	69,598	4,948	74,546
Movement in 2015								
Profit for the year	-	-	-	-	(7,495)	(7,495)	1,239	(6,256)
Other comprehensive income:								
Exchange rate translation differences on foreign operations	-	-	(3,292)	-	-	(3,292)	(439)	(3,731)
Actuarial gain on defined benefit plans	-	-	-	2,043	-	2,043	-	2,043
Total other comprehensive income for the year	-	-	(3,292)	2,043	(7,495)	(8,744)	800	(7,944)
Capital fund for salary sacrifice from related party directed	-	-	-	300	-	300	-	300
Dividends to non controlling share holders	-	-	-	-	-	-	(920)	(920)
Share-Based Payment	-	-	-	-	480	480	-	480
Total capital as at 31 December 2015	12,936	28,439	(6,486)	(6,735)	33,480	61,634	4,828	66,462

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, 2014	<u>12,936</u>	<u>28,439</u>	<u>(3,650)</u>	<u>(394)</u>	<u>37,548</u>	<u>74,879</u>	<u>8,814</u>	<u>83,693</u>
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	<u>-</u>	<u>-</u>	<u>(359)</u>	<u>502</u>	<u>2,947</u>	<u>3,090</u>	<u>1,966</u>	<u>5,056</u>
Release of translation differences reserve for foreign operations	-	-	815	-	-	815	-	815
Net purchase of shares in the subsidiary from non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,186)</u>	<u>-</u>	<u>(9,186)</u>	<u>(5,832)</u>	<u>(15,018)</u>
Total capital as at 31 December 2014	<u><u>12,936</u></u>	<u><u>28,439</u></u>	<u><u>(3,194)</u></u>	<u><u>(9,078)</u></u>	<u><u>40,495</u></u>	<u><u>69,598</u></u>	<u><u>4,948</u></u>	<u><u>74,546</u></u>

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	<u>12,936</u>	<u>28,439</u>	<u>(3,227)</u>	<u>(943)</u>	<u>30,975</u>	<u>68,180</u>	<u>12,229</u>	<u>80,409</u>
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	<u>12,936</u>	<u>28,439</u>	<u>(3,650)</u>	<u>(394)</u>	<u>37,548</u>	<u>74,879</u>	<u>8,814</u>	<u>83,693</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	NIS Thousands		
Cash flows from operating activities:			
Cash derived from (used in) operating activities before finance and taxes, net (Appendix A)	42,140	(16,096)	24,940
Interest paid	(6,341)	(5,091)	(3,634)
Interest received	1,678	2,120	1,077
Income tax paid	(5,695)	(8,115)	(6,486)
Income tax refund received	3,603	766	422
Net cash derived from (used in) operating activities	35,385	(26,416)	16,319
Cash flows from investing activities:			
Withdrawal (deposit) bank investments, net	80	7,006	13,397
Sale of marketable securities, net	-	-	35
Investment in affiliates, including loans	(5,434)	(810)	(7,257)
Purchase of fixed assets	(10,776)	(2,733)	(3,379)
Purchase of Intangible and other assets	(1,994)	(4,292)	(1,136)
Loans granted, net (Appendix B)	1,217	-	596
Purchase of shares in subsidiary	-	(1,674)	-
First time consolidation of subsidiary and activity (Appendix C)	(8,028)	143	1,081
Acquisition share from non controlling share holders	-	(5,000)	-
Proceeds from sale of fixed asset	-	2,284	378
Net cash derived from (used in) investing activities	(24,935)	(5,076)	3,715
Cash flows from financing activities:			
Receipt of long term loans from banks and others	5,800	13,373	26,100
Payment of long term loans to banks and others	(10,990)	(17,264)	(12,437)
Short term credit changes	(23,428)	14,750	8,693
Payables repayment obligation for the acquisition of rights in subsidiary	(1,217)	-	-
Proceeds from issuance of Bonds	48,358	-	-
Dividends to minority interests in subsidiaries	(920)	-	(5,762)
Net cash derived from (used in) financing activities	17,603	10,859	16,594
Translation differences in respect of overseas units	(1,925)	(1,311)	(508)
Increase (decrease) in cash and cash equivalents	26,128	(21,944)	36,120
Cash and cash equivalents at the beginning of the year	37,794	59,738	23,618
Cash and cash equivalents at the end of year	63,922	37,794	59,738

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:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<i>NIS Thousand</i>		
Profit for the year	(6,256)	5,282	12,706
Income and expenses not affecting cash flows:			
Partial share of (gains) losses in of affiliated companies	192	(32)	1,080
Depreciation and amortization	9,151	6,779	5,878
Impairment of assets, net	4,378	-	-
Cost of share-based payment	480	-	12
Income taxes	(1,605)	2,279	6,622
Income (loss) from sale of fixed assets, net	-	(755)	82
Increase (decrease) in employee benefits liabilities, net	85	(1,168)	(529)
Salary sacrifice from related party directed	300	-	-
Financial expenses, net	4,743	3,400	2,781
	<u>11,468</u>	<u>15,785</u>	<u>28,632</u>
Changes in operating assets and liabilities:			
Decrease (increase) in Trade and income receivables	(13,229)	7,424	(10,223)
Decrease (increase) in Other receivables and debit balances	(4,143)	88	1,308
Increase in Inventory	(395)	(874)	(4,270)
Increase (decrease) in Suppliers, Sub-contractors and service-providers	(5,197)	(1,695)	(14,119)
Increase (decrease) in Advances from customers	26,617	(26,040)	14,899
Increase (decrease) in Other Payables	27,019	(10,784)	8,713
	<u>30,672</u>	<u>(31,881)</u>	<u>(3,692)</u>
Cash derived from (used in) operating activity before finance and taxes, net	<u>42,140</u>	<u>(16,096)</u>	<u>24,940</u>

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	-	2,688	21,372
Payable for the acquisition of share interest in subsidiary	1,200	5,921	6,891
Receivables from the sales of share interest in subsidiary	-	5,921	-
Seller's loan for the acquisition of share interest in subsidiary	-	10,000	-
Put options to minority interest	6,540	-	-

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<i>NIS Thousands</i>		
Assets of the subsidiary and activity as of the consolidation date except cash and cash equivalents	39,909	5,445	4,960
Liabilities of the subsidiary and activity as of consolidation date	(32,133)	(5,018)	(5,404)
Customer relationships and goodwill	11,487	-	6,254
Deferred taxes	(1,353)	-	-
Payables in respect of the acquisition of a subsidiary	(1,200)	-	-
PUT option to Minority Interest	(8,682)	-	-
Unpaid balance	-	(570)	(6,891)
	8,028	(143)	(1,081)

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, 2015				Total
	Engineering Department	Software and Control Department	Energy and Environment Department	Cancellations	
	NIS thousands				
Revenues from external customers	361,680	142,094	15,042		
Inter segment transfers	5,672	805	541	(7,018)	
	<u>367,352</u>	<u>142,899</u>	<u>15,583</u>	<u>(7,018)</u>	<u>518,816</u>
Segment results	<u>12,749</u>	<u>2,034</u>	<u>(11,604)</u>		<u>3,179</u>
Other expenses, net					(4,378)
Financial expenses, net not allocated					(6,470)
Income taxes					1,605
Share in profit of affiliated companies					(192)
Income for the year					<u>(6,256)</u>

	For the year ended December 31, 2014				Total
	Engineering Department	Software and Control Department	Energy and Environment Department	Cancellations	
	NIS thousands				
Revenues from external customers	324,722	66,747	76,947		
Inter segment transfers	5,728	7,599	8,652	(21,979)	
	<u>330,450</u>	<u>74,346</u>	<u>85,599</u>	<u>(21,979)</u>	<u>468,416</u>
Segment results	<u>8,361</u>	<u>1,678</u>	<u>1,457</u>		<u>11,496</u>
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					<u>5,282</u>

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data - continued:

	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)	
	<u>308,707</u>	<u>104,791</u>	<u>94,019</u>	<u>(26,556)</u>	<u>480,961</u>
Segment results	<u>11,118</u>	<u>5,820</u>	<u>7,164</u>		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					<u>12,706</u>

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data - continued:

	December 31, 2015			Total
	Engineering Department	Software and Control Department	Energy and Environment Department	
NIS thousands				
Segment assets	<u>165,966</u>	<u>154,252</u>	<u>56,735</u>	<u>376,953</u>
Joint assets that are not allocated				<u>5,822</u>
Total consolidated assets				<u>382,775</u>
Segment liabilities	<u>115,312</u>	<u>126,033</u>	<u>70,226</u>	<u>311,571</u>
Joint liabilities that are not allocated				<u>4,742</u>
Total consolidated liabilities				<u>316,313</u>
Capital investment	<u>10,569</u>	<u>8,835</u>	<u>3,867</u>	<u>23,271</u>
Joint capital investment that are not allocated				<u>-</u>
				<u>23,271</u>
Depreciation and amortization	<u>4,282</u>	<u>4,512</u>	<u>181</u>	<u>8,975</u>
Impairment of assets, net	<u>-</u>	<u>4,378</u>	<u>-</u>	<u>4,378</u>
Joint depreciation and amortization that are not allocated				<u>176</u>
				<u>13,529</u>
	December 31, 2014			Total
	Engineering Department	Software and Control Department	Energy and Environment Department	
NIS thousands				
Segment assets	<u>145,917</u>	<u>121,738</u>	<u>27,164</u>	<u>294,819</u>
Joint assets that are not allocated				<u>6,757</u>
Total consolidated assets				<u>301,576</u>
Segment liabilities	<u>86,992</u>	<u>95,364</u>	<u>39,054</u>	<u>221,410</u>
Joint liabilities that are not allocated				<u>5,620</u>
Total consolidated liabilities				<u>227,030</u>
Capital investment	<u>5,378</u>	<u>4,089</u>	<u>945</u>	<u>10,421</u>
Joint capital investment that are not allocated				<u>-</u>
				<u>10,421</u>
Depreciation and amortization	<u>5,047</u>	<u>1,457</u>	<u>40</u>	<u>6,544</u>
Joint depreciation and amortization that are not allocated				<u>235</u>
				<u>6,779</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		
	2015	2014	2013
	NIS thousands		
Israel	232,663	173,745	190,563
Western Europe	270,082	233,281	178,221
Eastern Europe	16,071	61,390	112,177
	518,816	468,416	480,961

	Segment assets		Capital investment	
	December 31		December 31	
	2015	2014	2015	2014
NIS thousands				
Israel	234,164	180,046	10,569	5,387
Western Europe	114,833	78,958	8,835	4,089
Eastern Europe	33,778	42,572	3,867	945
	382,775	301,576	23,271	10,421