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(Founded by David & Ohad Enzel)

May 30, 2018

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, 2017 and 2016.
2. The consolidated statements of income for the years ended December 31, 2017, 2016 and 2015.
3. Changes in shareholders' equity for the years ended December 31, 2017, 2016 and 2015.
4. The consolidated cash flows for the years ended December 31, 2017, 2016 and 2015.
5. Segment reporting for the years ended December 31, 2017, 2016 and 2015.

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 31.12.2017 is:

\$1 = 3.467 NIS.

€1 = 4.1526 NIS.

Sincerely yours,

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

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

	December 31	
	2017	2016
	(Audited)	
	NIS thousands	
ASSETS		
<u>Current assets:</u>		
Cash and cash equivalents	28,301	34,823
Restricted bank deposits	1,393	3,437
Trade and income receivables	202,983	178,623
Other receivables and debit balances	17,537	(*)19,644
Current tax receivables	4,153	(*)4,128
Inventory	21,965	16,684
Total current assets	276,332	257,339
<u>Non-current assets:</u>		
Affiliates - investments and loans	27,952	25,407
Trade receivables and loans to others	7,021	11,491
Fixed assets	17,550	17,697
Intangible assets	26,828	27,491
Other assets	286	435
Deferred tax	12,305	11,773
Total non-current assets	91,942	94,294
Total assets	368,274	351,633

(*) Restated.

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	
	2017	2016
	(Audited)	
	NIS thousands	
LIABILITIES AND EQUITY		
<u>Current liabilities:</u>		
Short-term bank credit and others	39,258	37,269
Short-term bonds	11,110	5,435
Suppliers, Sub-contractors and Service-providers	65,997	52,288
Advances from customers	17,711	22,265
Other Payables and credit balances	67,962	69,864
PUT option to Minority Interest	8,728	-
Tax liabilities	5,273	4,845
Total current liabilities	216,039	191,966
<u>Non-current liabilities:</u>		
Long term loans to banks and others	22,190	21,705
Bonds	32,593	43,476
PUT option to Minority Interest	-	6,615
Other long term payables	-	341
Deferred tax	806	442
Non-current compensation liabilities	13,271	13,049
Total non-current liabilities	68,860	85,628
Total liabilities	284,899	277,594
<u>Equity:</u>		
Share Capital	12,936	12,936
Share Premium	28,439	28,439
Currency translation adjustments	(7,032)	(7,211)
Other hedges	(6,795)	(6,734)
Retained earnings	49,543	41,237
Total equity attributable to shareholders	77,091	68,667
Total equity attributable to Minority Interest	6,284	5,372
Total Equity	83,375	74,039
Total liabilities and Equity	368,274	351,633

The notes to the financial statements form an integral part thereof

**Avi Vinter - Chairman of
the board of Directors**

**Arnon Aharon - Co Chief
executive Officer**

**Gonen Betser - Chief
financial Officer**

Approval date of the financial statements: March 28, 2018

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>NIS Thousands</u>		
Revenue	577,170	581,799	518,816
Cost of revenue	494,090	495,854	461,580
Gross income	83,080	85,945	57,236
Marketing and sales expenses	9,630	9,949	5,759
Business and development expenses	2,183	2,065	2,642
Administrative and general expenses	47,847	46,854	45,656
Operating profit before other income, net	23,420	27,077	3,179
Other expenses, net	1,316	3,753	4,378
Operating profit (losses)	22,104	23,324	(1,199)
Financial expenses	(7,537)	(9,266)	(8,760)
Financial income	2,353	1,655	2,290
Financial expenses, net	(5,184)	(7,611)	(6,470)
Share in losses of affiliated companies, net	(1,553)	(1,133)	(192)
Income (losses) before income taxes	15,367	14,580	(7,861)
Income taxes (expenses)	5,731	5,551	(1,605)
Income (losses) for the year	9,636	9,029	(6,256)
Attributable to:			
Owners of the Company	7,826	7,277	(7,495)
Minority interest	1,810	1,752	1,239
	9,636	9,029	(6,256)
Earnings (losses) per share attributable to owners of the Company (in NIS):			
Basic and diluted earnings per share	0.68	0.63	(0.65)

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>2017</u>	<u>2016</u>	<u>2015</u>
	<u>NIS Thousands</u>		
Income (losses) for the year	<u>9,636</u>	<u>9,029</u>	<u>(6,256)</u>
Comprehensive Profit (losses):			
Items that can be reclassified into profit or loss:			
Reclassification of foreign currency translation differences to statement of income in respect of discontinued foreign operations	357	-	-
Foreign currency translation differences for foreign operations	51	(952)	(3,731)
Items that cannot be reclassified into profit or losses:			
Actuarial gain on defined benefit plans	<u>(61)</u>	<u>1</u>	<u>2,043</u>
Comprehensive profit (losses) for the year, net of tax	<u>347</u>	<u>(951)</u>	<u>(1,688)</u>
Total comprehensive profit (losses) for the year	<u>9,983</u>	<u>8,078</u>	<u>(7,944)</u>
Attributable to:			
Shareholders	7,944	6,553	(8,744)
Minority Interests	<u>2,039</u>	<u>1,525</u>	<u>800</u>
Total comprehensive income(losses) for the year	<u>9,983</u>	<u>8,078</u>	<u>(7,944)</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>NIS Thousands</i>							
As at January 1, 2017	12,936	28,439	(7,211)	(6,734)	41,237	68,667	5,372	74,039
Movement in 2017								
Profit (losses) for the period	-	-	179	(61)	7,826	7,944	2,039	9,983
Dividend to non-controlling share holders	-	-	-	-	-	-	(1,127)	(1,127)
Share-Based Payment	-	-	-	-	480	480	-	480
Total capital as at 31 December , 2017	12,936	28,439	(7,032)	(6,795)	49,543	77,091	6,284	83,375
As at January 1, 2016	12,936	28,439	(6,486)	(6,735)	33,480	61,634	4,828	66,462
Movement in 2016								
Profit (losses) for the year	-	-	(725)	1	7,277	6,553	1,525	8,078
Dividend to non-controlling share holders	-	-	-	-	-	-	(981)	(981)
Share-Based Payment	-	-	-	-	480	480	-	480
Total capital as at 31 December 2016	12,936	28,439	(7,211)	(6,734)	41,237	68,667	5,372	74,039

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>NIS Thousands</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 (losses) 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
Dividend to non-controlling share holders	-	-	-	-	-	-	(920)	(920)
Share-Based Payment	-	-	-	-	480	480	-	480
Total capital as at 31 December 2015	<u>12,936</u>	<u>28,439</u>	<u>(6,486)</u>	<u>(6,735)</u>	<u>33,480</u>	<u>61,634</u>	<u>4,828</u>	<u>66,462</u>

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**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	NIS Thousands		
Cash flows from operating activities:			
Cash derived from (used in) operating activities before finance and taxes, net (Appendix A)	16,475	2,465	42,140
Interest paid	(6,187)	(7,303)	(6,341)
Interest received	1,619	1,160	1,678
Income tax paid	(6,835)	(5,268)	(5,695)
Income tax refund received	1,022	1,565	3,603
Net cash derived from (used in) operating activities	<u>6,094</u>	<u>(7,381)</u>	<u>35,385</u>
Cash flows from investing activities:			
Withdrawal bank investments, net	1,840	4,334	80
Investment in affiliates, including loans	(4,218)	(6,970)	(5,434)
Purchase of fixed assets, net	(4,610)	(4,115)	(10,776)
Purchase of Intangible and other assets, net	(1,738)	(1,404)	(1,994)
Loans granted, net	2,365	2,338	1,217
First time consolidation of subsidiary and activity (Appendix B)	-	-	(8,028)
Net cash used in investing activities	<u>(6,361)</u>	<u>(5,817)</u>	<u>(24,935)</u>
Cash flows from financing activities:			
Receipt of long term loans from banks and others	1,996	517	5,800
Payment of long term loans to banks and others	(9,169)	(11,068)	(10,990)
Payables repayment obligation for the acquisition of rights in subsidiary	(2,365)	(2,338)	(1,217)
Proceeds from issuance of Bonds	-	-	48,358
Repayment of bund fund	(5,555)	-	-
Dividends to minority interests in subsidiaries	(1,127)	(981)	(920)
Short term credit changes	10,058	(1,536)	(23,428)
Net cash derived from (used in) financing activities	<u>(6,162)</u>	<u>(15,406)</u>	<u>17,603</u>
Translation differences in respect of overseas units	<u>(93)</u>	<u>(495)</u>	<u>(1,925)</u>
Increase (decrease) in cash and cash equivalents	<u>(6,522)</u>	<u>(29,099)</u>	<u>26,128</u>
Cash and cash equivalents at the beginning of the year	<u>34,823</u>	<u>63,922</u>	<u>37,794</u>
Cash and cash equivalents at the end of year	<u>28,301</u>	<u>34,823</u>	<u>63,922</u>

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>2017</u>	<u>2016</u>	<u>2015</u>
		<i>NIS Thousand</i>	
Profit (losses) for the year	9,636	9,029	(6,256)
Income and expenses not affecting cash flows:			
Partial share of losses in of affiliated companies	1,553	1,133	192
Depreciation and amortization	8,419	8,697	9,151
Impairment of assets, net	1,364	3,351	4,378
Cost of share-based payment	480	480	480
Income taxes (Expenses)	5,731	5,551	(1,605)
Income (loss) from sale of fixed assets, net	(48)	402	-
Increase (decrease) in employee benefits liabilities, net	211	537	85
Salary sacrifice from related party directed	-	-	300
Financial expenses, net	4,777	6,116	4,743
	32,123	35,296	11,468
Changes in operating assets and liabilities:			
Increase in Trade and income receivables	(19,412)	(6,691)	(13,229)
Increase in Other receivables and debit balances	(495)	(505)	(4,143)
Increase in Inventory	(5,281)	(1,504)	(395)
Increase (decrease) in Suppliers, Sub-contractors and service-providers	13,440	(3,511)	(5,197)
Increase (decrease) in Advances from customers	(4,832)	(14,934)	26,617
Increase (decrease) in Other Payables	932	(5,686)	27,019
	(15,648)	(32,831)	30,672
Cash derived from operating activity before finance and taxes, net	16,475	2,465	42,140

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

Appendix B. First time consolidation of subsidiary and activity

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<i>NIS Thousands</i>		
Assets of the subsidiary and activity as of the consolidation date except cash and cash equivalents	-	-	(39,909)
Liabilities of the subsidiary and activity as of consolidation date	-	-	32,133
Customer relationships and goodwill	-	-	(11,487)
Deferred taxes	-	-	1,353
Payables in respect of the acquisition of a subsidiary	-	-	1,200
PUT option to Minority Interest	-	-	8,682
	<u>-</u>	<u>-</u>	<u>(8,028)</u>

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

	For the year ended December 31, 2017				
	Engineer ing Departm ent	Software and Control Department	Energy and Environment Department	Cancellations	Total
	NIS thousands				
Revenues from Israelis external customers	110,672	142,306	11,541		264,519
Revenues from abroad external customers	262,737	-	49,914		312,651
Intersegment transfers	5,791	406	100	(6,297)	-
	<u>379,200</u>	<u>142,712</u>	<u>61,555</u>	<u>(6,297)</u>	<u>577,170</u>
Segment results in Israel	(3,006)	10,691	(538)	32	7,179
Segment results abroad	12,700	-	3,541	-	16,241
Segment results	<u>9,694</u>	<u>10,691</u>	<u>3,003</u>	<u>32</u>	<u>23,420</u>
Other expenses, net	<u>(601)</u>	<u>(715)</u>	<u>-</u>	<u>-</u>	<u>(1,316)</u>
Financial expenses, net not allocated					(5,184)
Income taxes					(5,731)
Share in profit of affiliated companies					<u>(1,553)</u>
Income for the year					<u>9,636</u>

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data - continued:

	For the year ended December 31, 2016				
	Engineerin g Departme nt	Software and Control Department	Energy and Environment Department	Cancellations	Total
	NIS thousands				
Revenues from Israelis external customers	105,870	159,547	14,552	-	279,969
Revenues from abroad external customers	277,734	-	24,096	-	301,830
Intersegment transfers	5,780	32	-	(5,812)	-
	389,384	159,579	38,648	(5,812)	581,799
Segment results in Israel	349	13,997	121	-	14,467
Segment results abroad	12,079	-	531	-	12,610
Segment results	12,428	13,997	652	-	27,077
Other expenses, net	(1,615)	(937)	(1,201)	-	(3,753)
Financial expenses, net not allocated					(7,611)
Income taxes					(1,133)
Share in profit of affiliated companies					(5,551)
Income for the year					9,029

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data - continued

	For the year ended December 31, 2015				
	Engineering Department	Software and Control Department	Energy and Environment Department	Cancellations	Total
	NIS thousands				
Revenues from Israelis external customers	116,177	142,094	3,583	-	261,854
Revenues from abroad external customers	245,503	-	11,459	-	256,962
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 in Israel	5,000	2,034	(11,118)	-	(4,084)
Segment results abroad	7,749	-	(486)	-	7,263
Segment results	<u>12,749</u>	<u>2,034</u>	<u>(11,604)</u>	<u>-</u>	<u>3,179</u>
Other expenses, net Financial expenses, net not allocated	<u>-</u>	<u>(4,378)</u>	<u>-</u>	<u>-</u>	<u>(4,378)</u>
Income taxes					(6,470)
Share in losses of affiliated companies					1,605
loss for the year					<u>(192)</u>
					<u>(6,256)</u>

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data - continued:

	December 31, 2017			
	Engineering Department	Software and Control Department	Energy and Environment Department	Total
	NIS thousands			
Segment assets	<u>157,663</u>	<u>156,352</u>	<u>50,485</u>	<u>364,500</u>
Joint assets that are not allocated				<u>3,774</u>
Total consolidated assets				<u><u>368,274</u></u>
Segment liabilities	<u>98,760</u>	<u>116,240</u>	<u>67,383</u>	<u>282,383</u>
Joint liabilities that are not allocated				<u>2,516</u>
Total consolidated liabilities				<u><u>284,899</u></u>
Capital investment	<u>4,618</u>	<u>1,808</u>	<u>4,404</u>	<u>10,830</u>
Joint capital investment that are not allocated				<u>-</u>
				<u><u>10,830</u></u>
Depreciation and amortization	<u>4,773</u>	<u>2,549</u>	<u>697</u>	<u>8,019</u>
Impairment of assets, net	<u>-</u>	<u>266</u>	<u>-</u>	<u>266</u>
Joint depreciation and amortization that are not allocated				<u>134</u>
				<u><u>8,419</u></u>

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data - continued:

	December 31, 2016			
	Engineering Department	Software and Control Department	Energy and Environment Department	Total
	NIS thousands			
Segment assets	<u>156,726</u>	<u>147,216</u>	<u>43,493</u>	347,435
Joint assets that are not allocated				<u>4,198</u>
Total consolidated assets				<u>351,633</u>
Segment liabilities	<u>101,237</u>	<u>112,429</u>	<u>60,892</u>	274,558
Joint liabilities that are not allocated				<u>3,036</u>
Total consolidated liabilities				<u>277,594</u>
Capital investment	<u>4,167</u>	<u>2,462</u>	<u>7,155</u>	13,784
Joint capital investment that are not allocated				<u>-</u>
				<u>13,784</u>
Depreciation and amortization	<u>5,207</u>	<u>2,857</u>	<u>486</u>	8,550
Impairment of assets, net	<u>1,213</u>	<u>937</u>	<u>1,201</u>	3,351
Joint depreciation and amortization that are not allocated				<u>148</u>
				<u>12,049</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		
	2017	2016	2015
	NIS thousands		
Israel	264,519	279,968	232,663
Western Europe	292,149	282,811	270,082
Eastern Europe	20,502	19,020	16,071
	577,170	581,799	518,816

	Segment assets		Capital investment	
	December 31		December 31	
	2017	2016	2017	2016
NIS thousands				
Israel	240,925	238,229	7,113	11,128
Western Europe	115,157	95,809	3,383	1,997
Eastern Europe	12,652	17,595	334	659
	368,734	351,633	10,830	13,784