



Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 6100601, Israel
+ 972 3 684 8000

June 8, 2022

To: Ludan Engineering Co. Ltd.

Re: Ludan Engineering Co. Ltd. (hereinafter – the company) Financial information as of December 31, 2021

As the auditors of the company and at your request, we confirm that the consolidated statements of financial position of the company as of December 31, 2021 and 2020 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021 (hereinafter – the financial information), attached herewith and stamped by us for identification purposes, are included in the consolidated financial statements as of December 31, 2021 of Ludan Engineering Co. Ltd that were audited by us and approved and signed by the company on March 14, 2022.

Kind Regards,

Somekh Chaikin
Certified Public Accountants (Isr.)

Ludan Engineering Co., Ltd.

Consolidated statements of the Financial Statements as at December 31

	Note	2021	2020
<i>NIS thousands</i>			
Assets			
Current assets			
Cash and Cash equivalents		32,360	36,943
Restricted bank deposits	6	528	1,004
Trade & income receivables	A-7	161,586	155,260
Other receivables & debit balances	B-7	17,478	12,796
Current tax receivables	28	1,702	2,163
Inventory	8	27,030	17,313
Total current assets attributable to operating activities		240,684	225,479
Non-current assets held for sale	3	367	2,274
Total Current Assets		241,051	227,753
Non-Current Assets			
Trade receivables & loans to others	10	344	635
Fixed Assets	11	13,714	14,052
Reputation and Intangible Assets	12	29,244	28,603
Right-of-use assets	13	64,527	67,580
Other assets		416	433
Deferred tax	28	8,825	10,658
Total Non-Current Assets		117,070	121,961
Total Assets		358,121	349,714

The attached Notes constitute an inseparable part of the Financial Statements.



Somekh Chaikin

FOR IDENTIFICATION PURPOSES ONLY

DATE: June 8, 2022

Ludan Engineering Co., Ltd.

Consolidated statements of the Financial Statements as at December 31

	Note	2021	2020
<i>NIS thousands</i>			
Liabilities and Equity			
Current liabilities			
Short-term bank credit and others	14	26,493	31,881
Short-term lease liabilities	13	16,840	15,701
Short-term bonds	15	-	11,049
Suppliers, Sub-contractors and Service Providers	16	67,846	48,847
Advances from customers		2,366	4,690
Other Payables & credit balances	17	82,264	76,682
PUT option to Minority Interest	5	6,363	13,219
Tax liabilities		1,754	4,235
Total current liabilities attributable to operating activities		203,926	206,304
Current liabilities attributable to discontinued operations	3	343	374
Total current liabilities		204,269	206,678
Non-current liabilities			
Long term loans to banks and others	14	7,170	3,865
Long-term lease liabilities	13	49,230	53,198
Non-current compensation liabilities	18	14,982	14,522
Deferred tax	28	396	562
Total non-current liabilities		71,778	72,147
Total liabilities		276,047	278,825
Equity			
	20		
Share Equity		12,936	12,936
Share Premium		28,439	28,439
Currency translation adjustments		(14,113)	(10,207)
Other hedges		(5,575)	(5,829)
Retained earnings		59,059	43,798
Total equity attributable to shareholders		80,746	69,137
Minority rights		1,328	1,752
Total Equity		82,074	70,889
Total Liabilities and Equity		358,121	349,714

The attached Notes constitute an inseparable part of the Financial Statements.

Izake Lotan
Chairman of the Board of Directors
Financial Statements approval date: March 14, 2022

Arnon Aharon,
CEO

Einat Vinograd
VP Finances
KPMG

Somekh Chaikin

Ludan Engineering Co., Ltd.

Consolidated P&L statements and residuaries for year ending on December 31

	Note	2021	2020	2019
		<i>NIS thousands</i>		
Income	22	513,740	531,675	564,901
Income Cost	23	461,094	473,017	511,617
Gross earnings		52,646	58,658	53,284
Sales and marketing expenses	A -24	2,841	3,244	3,626
Business development expenses		701	1,291	818
Administrative and general expenses	B - 24	22,919	21,861	24,585
Net operating earnings by Other Expenses		26,185	32,262	24,255
Other income (expenses), Net	25	1,799	(1,953)	632
Operating profit		27,984	30,309	24,887
Financing expenses	26	(4,614)	(5,228)	(8,691)
Financing income	26	596	86	584
Net Financing Expenses		(4,018)	(5,142)	(8,107)
Income before income taxes		23,966	25,167	16,780
Income tax expenses	28	5,987	7,465	6,681
Income from operating activities		17,979	17,702	10,099
Net Loss for discontinued operations	3	(1,675)	(2,405)	(2,692)
Net Profit		16,304	15,297	7,407
Net earnings from operating activities attributable to:				
Company owners		17,936	16,876	9,520
Minority interest		43	826	579
Net earnings from operating activities		17,979	17,702	10,099
Loss for discontinued activity attributed to:				
Shareholders		(1,640)	(2,355)	(2,521)
Minority rights		(35)	(50)	(171)
Loss for discontinued activity		(1,675)	(2,405)	(2,692)
Per-share P&L attributable to the Company's owner (in NIS):	29			
Per-share earnings from operating activities		1.56	1.46	0.83
Per-share deficit for discontinued activity		(0.14)	(0.20)	(0.22)

The attached Notes constitute an inseparable part of the Financial Statements



Somekh Chaikin

FOR IDENTIFICATION PURPOSES ONLY

DATE: June 8, 2022

Ludan Engineering Co., Ltd.

Consolidated statements on total earnings for the year ending on December 31

	2021	2020	2019
	<i>NIS thousands</i>		
Net Profit (Loss)	16,304	15,297	7,407
Total Other Profit (Loss) for the year (after tax impact):			
Amounts that will be classified or reclassified for P&L in the event of specific conditions:			
Foreign currency translation differentials for overseas activities	(4,063)	658	(3,589)
Classification of translation differentials to P&L regarding liquidated overseas operations	-	(755)	-
Items that will not be classified to P&L:			
Actuarial gain on defined benefit plans	254	725	227
Profit (Loss) for the year including Other, net of tax	(3,809)	628	(3,362)
Total Profit (Loss) for the year, net of tax	12,495	15,925	4,045
Attributed to:			
Shareholders	12,644	15,165	3,839
Minority interests	(149)	760	206
Total Profit (Loss) for the year	12,495	15,925	4,045



Somekh Chaikin

FOR IDENTIFICATION PURPOSES ONLY

DATE: June 8, 2022

The attached Notes constitute an inseparable part of the Financial Statements.

Ludan Engineering Co., Ltd.

Consolidated Statement on Equity Changes

Total equity attributable to the Company's owners					
Share Equity	Premium On shares	Translati on differentials fund	Other equity funds	Residuaries	Total equity attributable to the Company's owners
12,936	28,439	(10,207)	(5,829)	43,798	69,137
					Minority rights
					1,752
					70,889
Transactions in 2021:					
Earnings for year	-	-	-	16,296	16,296
Total Other Profit (Loss) for the year	-	(3,906)	254	(3,652)	(3,809)
Total Profit (Loss) per year	-	(3,906)	254	16,296	12,644
Dividend paid	-	-	-	(1,139)	(1,139)
Share-based payment	-	-	-	104	104
					Minority rights
					1,328
					82,074

Total Equity as at December 31, 2021



Somekh Chaikin

FOR IDENTIFICATION PURPOSES ONLY

DATE: June 8, 2022

Total equity attributable to the Company's owners					
Share Equity	Premium On shares	Translati on differentials fund	Other equity funds	Residuaries	Total equity attributable to the Company's owners
12,936	28,439	(10,126)	(6,554)	36,736	61,431
					Minority rights
					1,329
					62,760
Transactions in 2020:					
Earnings for year	-	-	-	14,521	14,521
Total Other Profit (Loss) for the year	-	(81)	725	644	628
Total Profit (Loss) per year	-	(81)	725	14,521	15,165
Declared dividend	-	-	-	(5,762)	(5,762)
Dividend paid	-	-	-	(1,493)	(1,493)
Share-based payment	-	-	-	(204)	(204)
					Minority rights
					1,752
					70,889

Total Equity as at December 31, 2020

The attached Notes constitute an inseparable part of the Financial Statements

Ludan Engineering Co., Ltd.
Consolidated Statement on Equity Changes – Continued

	Total equity attributable to the Company's owners						Total equity attributable to the Company's owners	Minority rights	Total Equity
	Share Equity	Premium On shares	Translation differential funds	Other equity funds	Residuals	Company's owners			
Balance as at January 1, 2019	12,936	28,439	(6,739)	(6,781)	30,632	58,487	1,519	60,006	
Transactions in 2019:									
Earnings for year	-	-	-	-	6,999	6,999	408	7,407	
Total Other Profit (Loss) for the year	-	-	(3,387)	227	-	(3,160)	(202)	(3,362)	
Total Profit (Loss) per year	-	-	(3,387)	227	6,999	3,839	206	4,045	
Dividend paid	-	-	-	-	(1,194)	(1,194)	(396)	(1,590)	
Share-based payment	-	-	-	-	299	299	-	299	
Total Equity as at December 31, 2019	12,936	28,439	(10,126)	(6,554)	36,736	61,431	1,329	62,760	

The attached Notes constitute an inseparable part of the Financial Statements



Somekh Chaikin

FOR IDENTIFICATION PURPOSES ONLY

DATE: June 2, 2022

Ludan Engineering Co. Ltd.
Cash flow statements

	2021	2020	2019
	<i>NIS thousands</i>		
Cash flows from operating activities			
Net cash derived from current activities before financing and taxes (Appendix A)	56,939	82,245	88,351
Interest paid	(2,441)	(2,884)	(4,952)
Interest received	7	86	501
Income Tax paid	(6,914)	(7,323)	(8,889)
Income Tax refund	257	1,577	193
Net cash derived from operating activities	47,848	73,701	75,204
Net cash used for discontinued operations	196	(585)	(11,486)
Net cash derived from operating activities	48,044	73,116	63,718
Cash flows from investment activities:			
Sale of subsidiary	-	(12)	-
Net withdrawal (deposit) of designated deposits in banks	476	24	(590)
Repayment of loans from others	-	-	767
Proceeds from sale of fixed assets	27	-	-
Purchase of Fixed Assets	(3,826)	(3,311)	(2,746)
Purchase of Intangible Assets	(4,678)	(5,309)	(4,190)
Net cash used for investment activities	(8,001)	(8,608)	(6,759)
Net cash derived from discontinued investment activities	-	-	15,721
Net cash derived from (used for) investment activities	(8,001)	(8,608)	8,962
Cash flows from financing activities:			
Long-term loans from banking corporations and other credit providers	-	10,000	-
Repayment of long-term loans from banking corporations and other credit providers	(3,999)	(5,219)	(7,314)
Repayment of the principal component of the lease liability	(23,444)	(26,667)	(26,299)
Repayment of debenture fund	(11,115)	(11,110)	(11,110)
Dividend paid to PUT option holders	(1,414)	(1,830)	(1,590)
Dividend paid	(5,762)	-	-
Net Increase (Decrease) in short-term credit from banking corporations	2,608	(15,940)	(14,621)
Repayment of a liability in respect of a PUT option of minority rights in a consolidated company	-	-	(11,945)
Net cash used for ongoing financing activity	(43,126)	(50,766)	(72,879)
Translation differentials for oversea units	(1,500)	232	200
Increase (Decrease) in Cash and Cash Value	(4,583)	13,974	1
Cash and cash value for the beginning of the year	36,943	22,969	22,968
Cash and cash value for the end of the year	32,360	36,943	22,969

KPMG

Somekh Chaikin

74

FOR IDENTIFICATION PURPOSES ONLY

DATE: June 2, 2022

Ludan Engineering Co. Ltd.
Cash flow statements

The attached Notes constitute an inseparable part of the Financial Statements.

Appendix A – cash flows from current activity before financing and taxes:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	<i>NIS thousands</i>		
Income for the period from ongoing operations	17,979	17,702	10,099
Income (Expenses) not involving cash flows:			
Depreciation and amortization	29,272	32,055	33,691
Net depreciation due to impairment of assets, revaluation of PUT option value and revaluation of option to employees	(2,255)	1,953	(949)
PUT option for senior officers	-	-	2,337
Share-based payment cost	104	-	299
Income Taxes	5,987	7,465	6,681
Income from realization of investment in an Associated Company	-	-	(197)
Net income from realization of Fixed Assets	(11)	-	-
Net Increase (Decrease) of liability in respect of employee benefits	705	2,102	1,909
Net financing expenses	<u>3,997</u>	<u>4,797</u>	<u>6,954</u>
	<u>55,778</u>	<u>66,074</u>	<u>60,824</u>
Changes in property and liability sections:			
Decrease (Increase) of Trade & Receivables	(11,838)	31,360	21,364
Decrease (Increase) in Accounts Receivable and Debit Balances	(5,111)	(1,544)	(4,089)
Decrease (increase) in inventory	(9,717)	(1,664)	4,668
Increase (Decrease) in Vendors and Service Providers	20,148	(4,666)	(112)
Increase (Decrease) in Advance Payments from Customers	(1,984)	(4,853)	1,784
Increase (Decrease) in Accounts Payable and Credit Balances	14,264	(2,841)	5,423
Changes in liability in respect of PUT option	(4,601)	379	(1,511)
	<u>1,161</u>	<u>16,171</u>	<u>27,527</u>
Net cash derived from current activities before financing and taxes	<u>56,939</u>	<u>82,245</u>	<u>88,351</u>
Attachment B – Non-cash operating activities			
Recognition of right-of-use assets against lease liability	<u>21,236</u>	<u>10,212</u>	<u>107,655</u>

The attached Notes constitute an inseparable part of the Financial Statements.

Note 30 – SEGMENT STATEMENT

The Group's reporting format, in accordance with the implementation of the "Management Approach", as defined in IFRS 8; i.e., in accordance with the internal reporting format for operational decision-makers for the purpose of allocating resources and evaluating segment performance.

A. The Group is composed of the following main business segments

(1) Engineering services

The Group provides engineering and project management activities in Israel and abroad with engineers, practical engineers and technical staff.

The engineering services provided as part of the construction of industrial projects (mainly the construction of manufacturing facilities in industrial plants) are management, planning, acquisition and construction services.

Additionally, the Group also provides ongoing engineering services through the Company's Human Resources Department, which is available to customers for limited periods. It also provides engineering services in the turnkey format, in which it is responsible for the overall implementation of all stages of the project.

Since the start of 2019, environmental quality in Israel is included in the engineering segment's activity. Environmental quality activities in Israel include technological solutions for industrial wastewater, consulting, implementing and rehabilitating contaminated soils and groundwater, and measuring and treating emission gases.

The Group decided to cease its activities in the renewable energy segment abroad, which included the initiation and construction of biogas facilities in Western Europe. This activity is presented as a discontinued activity. The remaining activity in this area is insignificant, which is also reported under the engineering services segment.

(2) Software and Control Services

The Group, through its subsidiaries, ShimoTech, Ludan Software Systems and Ardan Control Tech, develops and manufactures automated testing systems and computerized systems for ticket sales and entry control for the public transportation segment.

The Group also provides software services, including marketing of software products and their implementation at the customer. Additionally, it specializes in instrumentation and control systems used for command and control operations in factories, mainly in the process industry.

- B.** The operating results of the business segments include the segment revenues, and the costs and expenses directly relating to each segment. Joint expenses concentrated in the parent company are reasonably allocated to the segments, attributable to the actual expense rate, as follows:

Ludan Engineering Co. Ltd.

Notes to Financial Statements

The significant companies abroad, Ludan Holland and Ludan Romania, are charged fixed management fees. These management fees are only for senior management expenses at the Group's headquarters in Israel.

Israeli subsidiaries are charged management fees to cover joint expenses, according to a key calculated according to the ratio of the Israeli company revenues to the total revenues of all the Israeli subsidiaries, according to data from the annual work plan.

- C.** The segment's assets include all operational assets used by the segment and mainly include cash and cash value, receivables and debit balances, inventory and fixed assets.

The segment's obligations include all operational liabilities and mainly include liabilities to suppliers, payables, liabilities to banking corporations and liabilities due to the termination of employer-employee relations.

- D.** Segment results include transfers between segments. Transfers are recorded in accordance with agreed and cancelled transfer prices as part of the consolidation of financial statements.

Ludan Engineering Co. Ltd.
Notes to Financial Statements

Note 30 – Segment Statement – Continued

B. Below are the data for the Segments

	For the year ending on December 31, 2021			
	Engineering Segment	Software and Control Segment	Cancellati ons	Total
	<i>NIS thousands</i>			
Revenues from external customers, Israeli companies	140,460	159,164	-	299,624
Revenues from external customers, oversea companies	214,116	-	-	214,116
Between segments	7,986	190	(8,176)	-
	<u>362,562</u>	<u>159,354</u>	<u>(8,176)</u>	<u>513,740</u>
Segment results in Israel	9,214	14,698	(28)	23,884
Segment results abroad	2,301	-	-	2,301
Total segment results	<u>11,515</u>	<u>14,698</u>	<u>(28)</u>	<u>26,185</u>
Other net expenses	<u>1,799</u>	<u>-</u>	<u>-</u>	<u>1,799</u>
Net non-allocated financing expenses				(4,018)
Taxes on Income				(5,987)
Loss for discontinued operation				<u>(1,675)</u>
Net profit				<u>16,304</u>

	For the year ending on December 31, 2020			
	Engineering Segment	Software and Control Segment	Cancellati ons	Total
	<i>NIS thousands</i>			
Revenues from external customers, Israeli companies	128,681	136,523	-	265,204
Revenues from external customers, oversea companies	266,471	-	-	266,471
Between segments	6,301	812	(7,113)	-
	<u>401,453</u>	<u>137,335</u>	<u>(7,113)</u>	<u>531,675</u>
Segment results in Israel	(4,764)	12,868	1,443	9,547
Segment results abroad	22,715	-	-	22,715
Total segment results	<u>17,951</u>	<u>12,868</u>	<u>1,443</u>	<u>32,262</u>
Other net expenses	<u>(1,953)</u>	<u>-</u>	<u>-</u>	<u>(1,953)</u>
Net non-allocated financing expenses				(5,142)
Taxes on Income				(7,465)
Loss for discontinued operation				<u>(2,405)</u>
Net profit				<u>15,297</u>

Ludan Engineering Co. Ltd.
Notes to Financial Statements

Note 30 – Segment Statement – Continued

	For the year ending on December 31, 2019			
	Engineering Segment	Software and Control Segment	Cancellations	Total
	<i>NIS thousands</i>			
Revenues from external customers, Israeli companies	132,556	149,250	-	281,806
Revenues from external customers, oversea companies	283,095	-	-	283,095
Between segments	6,865	141	(7,006)	-
	<u>422,516</u>	<u>149,391</u>	<u>(7,006)</u>	<u>564,901</u>
Segment results in Israel	4,380	3,743	890	9,013
Segment results abroad	15,242	-	-	15,242
Total segment results	<u>19,622</u>	<u>3,743</u>	<u>890</u>	<u>24,255</u>
Other net expenses	<u>1,099</u>	<u>(467)</u>	<u>-</u>	<u>632</u>
Net non-allocated financing expenses				(8,107)
Taxes on Income				(6,681)
Loss for discontinued operation				(2,692)
Net profit				<u>7,407</u>

	As at December 31, 2021		
	Engineering Segment	Software and Control Segment	Total
	<i>NIS thousands</i>		
Segment assets	<u>155,141</u>	<u>199,498</u>	<u>354,639</u>
Joint unallocated assets			<u>3,482</u>
Total consolidated assets			<u>358,121</u>
Segment liabilities	<u>126,875</u>	<u>146,874</u>	<u>273,749</u>
Joint unallocated liabilities			<u>2,298</u>
Total consolidated liabilities			<u>276,047</u>
Equity investments	<u>3,452</u>	<u>5,052</u>	<u>8,504</u>
Joint unallocated Equity investments			<u>-</u>
			<u>8,504</u>
Sale of investments and investment returns	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation and amortization	<u>3,990</u>	<u>3,084</u>	<u>7,074</u>
Unallocated depreciation and amortization			<u>22,198</u>
			<u>29,272</u>

Ludan Engineering Co. Ltd.
Notes to Financial Statements

Note 30 – Segment Statement – Continued

	As at December 31, 2020		
	Engineeri ng Segment	Software and Control Segment	Total
	<i>NIS thousands</i>		
Segment assets	<u>204,128</u>	<u>140,084</u>	344,212
Joint unallocated assets			5,502
Total consolidated assets			<u>349,714</u>
Segment liabilities	<u>179,954</u>	<u>96,434</u>	276,388
Joint unallocated liabilities			2,437
Total consolidated liabilities			<u>278,825</u>
Equity investments	<u>4,348</u>	<u>4,272</u>	8,620
Joint unallocated Equity investments			-
			<u>8,620</u>
Sale of investments and investment returns	<u>-</u>	<u>-</u>	-
Depreciation and amortization	<u>5,191</u>	<u>1,763</u>	6,954
Unallocated depreciation and amortization			25,101
			<u>32,055</u>

Ludan Engineering Co. Ltd.
Notes to Financial Statements

Note 30 – Segment Statement – Continued

	As at December 31, 2019		
	Engineeri ng Segment	Software and Control Segment	Total
	<i>NIS thousands</i>		
Segment assets	<u>233,668</u>	<u>139,034</u>	372,702
Joint unallocated assets			7,743
Total consolidated assets			<u>380,445</u>
Segment liabilities	<u>210,547</u>	<u>104,213</u>	314,760
Joint unallocated liabilities			2,925
Total consolidated liabilities			<u>317,685</u>
Equity investments	<u>3,280</u>	<u>3,656</u>	6,936
Joint unallocated Equity investments			-
			<u>6,936</u>
Sale of investments and investment returns	<u>(553)</u>	<u>-</u>	<u>(553)</u>
Depreciation and amortization	<u>5,536</u>	<u>2,862</u>	8,398
Unallocated depreciation and amortization			25,293
			<u>33,691</u>

Ludan Engineering Co. Ltd.
Notes to Financial Statements

F. Geographical Areas

The Group operates in the following major geographical areas:

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

The following is an extract of the data for geographical regions:

	Income from sales and services by geographical markets		
	2021	2020	2019
	<i>NIS thousands</i>		
Israel	298,307	259,823	279,963
Western Europe	200,960	251,942	263,982
Eastern Europe	14,473	19,910	20,956
	513,740	531,675	564,901

	Segment assets		Equity investments	
	As at December 31		As at December 31	
	2021	2020	2021	2020
	<i>NIS thousands</i>		<i>NIS thousands</i>	
Israel	266,801	254,589	6,625	5,960
Western Europe	82,961	85,296	1,690	2,091
Eastern Europe	8,359	9,829	189	569
	358,121	349,714	8,504	8,620