



March 23, 2008

LUDAN ENGINEERING CO. LTD.

Petach - Tikva

Gentlemen,

At your request attached is an English translation of the consolidated balance sheet of the company at December 31, 2007 and 2006 and of the consolidated statement of income for the years then ended.

For the convenience of the readers the Euro/dollar/new Israeli shekel exchange rate at 31.12.07

\$1 = 3.846 NIS.

Eur1 = 5.6592 NIS

Sincerely yours,

OREN HOROWITZ & CO
Certified Public Accountants (Isr.)

Head Office:

LUDAN ENGINEERING CO. LTD
CONSOLIDATED BALANCE SHEETS
December 31

	December 31	
	2007	2006
	NIS'000	NIS'000
<u>Assets</u>		
<u>Current assets:</u>		
Cash and cash equivalents	45,106	27,458
Short term investment	20,453	28,347
Accounts receivable:		
Income receivable	84,688	97,232
Other	11,296	8,962
Inventory	2,576	-
Work in progress	619	2,069
	<u>164,738</u>	<u>164,068</u>
<u>Investments and long-term Receivables:</u>		
Investments in affiliates	1,400	354
Other investments and receivables	960	-
Deferred taxes	1,622	1,223
	<u>3,982</u>	<u>1,577</u>
<u>Fixed assets:</u>		
Cost	44,959	38,882
Less – accumulated depreciation	28,089	23,089
	<u>16,870</u>	<u>*15,793</u>
<u>Intangible assets after amortization</u>		
	<u>32,008</u>	<u>* 2,742</u>
	<u>217,598</u>	<u>184,180</u>
<u>Liabilities and shareholder's equity</u>		
<u>Current liabilities:</u>		
Credit from bank and others	3,320	7,314
Trade	21,139	31,884
Accounts payable and accruals:		
Deferred income taxes	5,208	6,307
Other	82,960	56,958
	<u>112,627</u>	<u>102,463</u>
<u>Long-term liabilities:</u>		
Bonds	29,333	27,346
Bank loans and others	10,752	11,058
Liability for employee severance benefits net	8,819	6,199
Deferred income taxes	1,819	-
Investments in affiliates	385	893
	<u>51,108</u>	<u>45,496</u>
<u>Minority interest</u>	<u>10,056</u>	<u>3,697</u>
<u>Shareholders equity</u>	<u>43,807</u>	<u>32,524</u>
	<u>217,598</u>	<u>184,180</u>

*reclassifay

LUDAN ENGINEERING CO. LTD.
CONSOLIDATED STATEMENTS OF INCOME
For the year ended December 31

	December 31	
	2007	2006
	<u>NIS'000</u>	<u>NIS'000</u>
Income	336,141	319,848
Cost of income	<u>275,419</u>	<u>280,657</u>
<u>Gross profit</u>	60,722	39,191
Administrative and general expenses	<u>31,347</u>	<u>25,445</u>
<u>Operating earnings</u>	29,375	13,746
Financial expenses, net	<u>3,517</u>	<u>1,380</u>
<u>Income after financial expenses</u>	25,858	12,366
Other incomes, net	<u>51</u>	<u>415</u>
<u>Earnings before income tax</u>	25,909	12,781
Income tax	<u>6,849</u>	<u>2,452</u>
<u>Earnings after income tax</u>	19,060	10,329
Equity in the operating results of affiliates	(1,152)	(639)
Minority interests in subsidiaries, net	<u>(5,861)</u>	<u>(1,977)</u>
<u>Net earnings for the year</u>	<u>12,047</u>	<u>7,713</u>