

April 1, 2015

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, 2014 and 2013.
2. The consolidated statements of income for the years ended December 31, 2014, 2013 and 2012.
3. Changes in shareholders' equity for the years ended December 31, 2014, 2013 and 2012.
4. The consolidated cash flows for the years ended December 31, 2014, 2013 and 2012.
5. Segment reporting for the years ended December 31, 2014, 2013 and 2012.


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 31.12.2014 is:

\$1 = 3.889 NIS.

€1 = 4.7246 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	
	2014	2013
	(Audited)	
	NIS thousands	
ASSETS		
<u>Current assets:</u>		
Cash and cash equivalents	37,794	59,738
Restricted bank deposits	8,212	15,393
Financial asset at fair value	2	3
Trade and income receivables	133,052	139,821
Other receivables and debit balances	19,610	16,391
Current tax receivables	6,194	5,753
Inventory	7,419	6,580
Total current assets	212,283	243,679
<u>Non-current assets:</u>		
Affiliates - investments and loans	14,323	13,517
Trade receivables and loans to others	25,074	19,527
Fixed assets	13,012	15,027
Intangible assets	28,360	26,702
Other assets	451	1,116
Deferred tax	8,073	6,270
Total non-current assets:	89,293	82,159
Total assets	301,576	325,838

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	
	2014	2013
	(Audited)	
	NIS thousands	
LIABILITIES AND EQUITY		
<u>Current liabilities:</u>		
Short-term bank credit and others	43,138	29,180
Suppliers, Sub-contractors and Service-providers	54,480	56,063
Advances from customers	12,019	38,371
Other Payables and credit balances	45,189	54,153
Tax liabilities	4,179	6,417
Total current liabilities	159,005	184,184
<u>Non-current liabilities:</u>		
Long term loans to banks and others	43,392	36,550
Payables in respect of the acquisition of a subsidiary	10,482	5,258
Deferred tax	685	1,000
Non-current compensation liabilities	13,466	15,153
Total non-current liabilities:	68,025	57,961
Total liabilities	227,030	242,145
<u>Equity:</u>		
Share Capital	12,936	12,936
Share Premium	28,439	28,439
Currency translation adjustments	(3,194)	(3,650)
Other hedges	(9,078)	(394)
Retained earnings	40,495	37,548
Total equity attributable to shareholders	69,598	74,879
Total equity attributable to Minority Interest	4,948	8,814
Total Equity	74,546	83,693
Total liabilities and Equity	301,576	325,838

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 Shteinbook - Chief
financial Officer**

Approval date of the financial statements: March 30, 2015

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	<u>NIS Thousands</u>		
Revenue	468,416	480,961	435,795
Cost of revenue	411,373	411,583	379,946
Gross income	57,043	69,378	55,849
Business and development expenses	4,304	4,726	4,289
Administrative and general expenses	41,243	40,550	36,504
Operating profit before other income (expenses), net	11,496	24,102	15,056
Other income (expenses), net	755	(82)	-
Operating profit	12,251	24,020	15,056
Financial expenses	(6,726)	(5,862)	(4,166)
Financial income	2,004	2,250	923
Financial expenses, net	(4,722)	(3,612)	(3,243)
Share in profit (losses) of affiliated companies, net	32	(1,080)	(426)
Income before income taxes	7,561	19,328	11,387
Income taxes	2,279	6,622	3,769
Income for the year	5,282	12,706	7,618
Attributable to:			
Owners of the Company	2,947	12,323	7,077
Minority interest	2,335	383	541
	5,282	12,706	7,618
Earnings per share attributable to owners of the Company (in NIS):			
Basic and diluted earnings per share	0.26	1.07	0.61

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>2014</u>	<u>2013</u>	<u>2012</u>
	<u>NIS Thousands</u>		
Income for the year	<u>5,282</u>	<u>12,706</u>	<u>7,618</u>
Comprehensive Profit (Loss):			
Items that can be reclassified into profit or loss:			
Foreign currency translation differences for foreign operations	<u>(728)</u>	<u>(733)</u>	<u>(397)</u>
Items that cannot be reclassified into profit or loss:			
Actuarial gain on defined benefit plans	<u>502</u>	<u>549</u>	<u>52</u>
Comprehensive Loss for the year, net of tax	<u>(226)</u>	<u>(184)</u>	<u>(345)</u>
Total comprehensive income for the year	<u>5,056</u>	<u>12,522</u>	<u>7,273</u>
Attributable to:			
Shareholders	<u>3,090</u>	<u>12,449</u>	<u>6,886</u>
Minority Interests	<u>1,966</u>	<u>73</u>	<u>387</u>
Total comprehensive income for the year	<u>5,056</u>	<u>12,522</u>	<u>7,273</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, 2014	12,936	28,439	(3,650)	(394)	37,548	74,879	8,814	83,693
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	-	-	(359)	502	2,947	3,090	1,966	5,056
Release of translation differences reserve for foreign operations	-	-	815	-	-	815	-	815
Net purchase of shares in the subsidiary from non-controlling interests	-	-	-	(9,186)	-	(9,186)	(5,832)	(15,018)
Total capital as at 31 December 2014	12,936	28,439	(3,194)	(9,078)	40,495	69,598	4,948	74,546

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 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 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>-</u>	<u>-</u>	<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>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>

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

	2014	2013	2012
	NIS Thousands		
Cash flows from operating activities:			
Cash derived from (used in) operating activities before finance and taxes, net (Appendix A)	(16,096)	24,940	26,445
Interest paid	(5,091)	(3,634)	(2,380)
Interest received	2,120	1,077	794
Income tax paid	(8,115)	(6,486)	(7,420)
Income tax refund received	766	422	516
Net cash derived from (used in) operating activities	(26,416)	16,319	17,955
Cash flows from investing activities:			
Withdrawal (deposit) bank investments, net	7,006	13,397	(5,590)
Sale of marketable securities, net	-	35	1,758
Investment in affiliates, including loans	(810)	(7,257)	(4,959)
Purchase of fixed assets	(2,733)	(3,379)	(2,048)
Purchase of Intangible and other assets	(4,292)	(1,136)	(807)
Loans granted, net (Appendix B)	-	596	(2,826)
Purchase of shares in subsidiary	(1,674)	-	-
First time consolidation of subsidiary and activity (Appendix C)	143	1,081	-
Acquisition share from non controlling share holders	(5,000)	-	(850)
Proceeds from sale of fixed asset	2,284	378	20
Net cash derived from (used in) investing activities	(5,076)	3,715	(15,302)
Cash flows from financing activities:			
Receipt of long term loans from banks and others	13,373	26,100	5,000
Payment of long term loans to banks and others	(17,264)	(12,437)	(3,190)
Short term credit changes	14,750	8,693	4,570
Repayment of debentures	-	-	(7,637)
Dividend paid	-	(5,762)	(5,186)
Dividends to minority interests in subsidiaries	-	-	(200)
Net cash derived from (used in) financing activities	10,859	16,594	(6,643)
Translation differences in respect of overseas units	(1,311)	(508)	(388)
Increase (decrease) in cash and cash equivalents	(21,944)	36,120	(4,378)
Cash and cash equivalents at the beginning of the year	59,738	23,618	27,996
Cash and cash equivalents at the end of year	37,794	59,738	23,618

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>2014</u>	<u>2013</u>	<u>2012</u>
		<i>NIS Thousand</i>	
Profit for the year	5,282	12,706	7,618
Income and expenses not affecting cash flows:			
Partial share of (gains) losses in of affiliated companies	(32)	1,080	426
Depreciation and amortization	6,779	5,878	7,610
Cost of share-based payment	-	12	57
Income taxes	2,279	6,622	3,859
Income (loss) from sale of fixed assets, net	(755)	82	-
Increase (decrease) in employee benefits liabilities, net	(1,168)	(529)	824
Financial expenses, net	3,400	2,781	1,808
	<u>15,785</u>	<u>28,632</u>	<u>22,202</u>
Changes in operating assets and liabilities:			
Decrease (increase) in Trade and income receivables	7,424	(10,223)	(38,469)
Decrease (increase) in Other receivables and debit balances	88	1,308	(740)
Increase in Inventory	(874)	(4,270)	(12)
Increase (decrease) in Suppliers, Sub-contractors and service-providers	(1,695)	(14,119)	30,850
Increase (decrease) in Advances from customers	(26,040)	14,899	11,063
Increase (decrease) in Other Payables	(10,784)	8,713	1,551
	<u>(31,881)</u>	<u>(3,692)</u>	<u>4,243</u>
Cash derived from (used in) operating activity before finance and taxes, net	<u>(16,096)</u>	<u>24,940</u>	<u>26,445</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	-
Purchase of subsidiary	-	6,891	-
Payable for the acquisition of share interest in subsidiary	5,921	-	-
Receivables from the sales of share interest in subsidiary	5,921	-	-
Seller's loan for the acquisition of share interest in subsidiary	10,000	-	-

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>2014</u>	<u>2013</u>	<u>2012</u>
	<i>NIS Thousands</i>		
Assets of the subsidiary and activity as of the consolidation date except cash and cash equivalents	5,445	4,960	-
Liabilities of the subsidiary and activity as of consolidation date	(5,018)	(5,404)	-
Customer relationships and goodwill	-	1,380	-
PPA not yet allocated	-	4,874	-
	<u>427</u>	<u>5,810</u>	<u>-</u>
Unpaid balance	570	6,891	-
	<u>143</u>	<u>1,081</u>	<u>-</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

E. Segment data:

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

	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)
Income taxes					(6,622)
Share in losses of affiliated companies					(1,080)
Income for the year					12,706

LUDAN ENGINEERING CO. LTD**Notes to Financial Statements****Segment reporting - continued****E. Segment data - continued:**

	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)	
	<u>298,814</u>	<u>72,831</u>	<u>73,591</u>	<u>(9,441)</u>	<u>435,795</u>
Segment results	<u>12,465</u>	<u>6,259</u>	<u>(3,668)</u>		15,056
Financial expenses, net not allocated					(3,243)
Income taxes					(3,769)
Share in losses of affiliated companies					(426)
Income for the year					<u>7,618</u>

	December 31, 2014			
	Engineering Department	Software and Control Department	Energy and Environment Department	Total
	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				6,757
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				5,620
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>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				235
				<u>6,779</u>

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data - continued:

	December 31, 2013			Total
	Engineering Department	Software and Control Department	Energy and Environment Department	
	NIS thousands			
Segment assets	<u>163,591</u>	<u>120,279</u>	<u>34,112</u>	317,982
Joint assets that are not allocated				<u>7,856</u>
Total consolidated assets				<u>325,838</u>
Segment liabilities	<u>85,184</u>	<u>96,703</u>	<u>52,664</u>	234,551
Joint liabilities that are not allocated				<u>7,594</u>
Total consolidated liabilities				<u>242,145</u>
Capital investment	<u>11,378</u>	<u>588</u>	<u>7,279</u>	19,245
Joint capital investment that are not allocated				<u>-</u>
				<u>19,245</u>
Depreciation and amortization	<u>3,792</u>	<u>1,579</u>	<u>78</u>	5,449
Joint depreciation and amortization that are not allocated				<u>429</u>
				<u>5,878</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		
	2014	2013	2012
	NIS thousands		
Israel	173,745	190,563	192,078
Western Europe	233,281	178,221	198,858
Eastern Europe	61,390	112,177	44,859
	468,416	480,961	435,795

	Segment assets		Capital investment	
	December 31		December 31	
	2014	2013	2014	2013
NIS thousands				
Israel	180,046	183,745	5,387	10,449
Western Europe	78,958	71,766	4,089	6,788
Eastern Europe	42,572	70,327	945	2,008
	301,576	325,838	10,421	19,245