



**LUDAN  
GROUP**

# **LUDAN GROUP**

Business  
Overview  
2016





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# General



# General

## Who We Are

LUDAN GROUP is proud to be a most diverse provider of integrated solutions for Industrial Development, Plant Optimization, Environmental Issues, and Industry- Specific Application Knowledge.

LUDAN GROUP is a unique blend of companies in the fields of Engineering, Software, Process Control, Environment, Energy and more, located in Israel, western Europe (Holland, Belgium, Spain), Eastern Europe (Romania, Bulgaria, Serbia, Croatia, Russia) and China.

## Our Vision and Philosophy - Built to Last

- Leading position in its environment
- Appreciated by professionalisms
- Leaving a deep impression
- Managed by consequent generations
- Several life cycles





# **Top Management**



# Top management



**Arnon Aharon**

Joint C.E.O



**Yehuda Sarid**

Joint C.E.O



**Frans Jansen**

C.E.O of KH  
Engineering &  
Regional Manager  
of Western Europe



**Yuval Alon**

C.E.O of Ludan  
Engineering Israel



**Dmitri Militescu**

C.E.O of Ludan  
Engineering SRL &  
Regional Manager  
of Eastern Europe



**Avi Lieber**

C.E.O of Ludan Tech



**Meshulam  
Granot**

C.E.O of Ludan  
Infrasturtures and  
Construction



**Tidhar Golan**

C.E.O of Ludan  
Environmental  
Technologies

# Milestones





# Milestones

## Ludan Engineering Co. Ltd.

- 1977 - Foundation of Ludan Engineering Co. Ltd.
- 1979 - Ludan South Branch, Israel
- 1983 - Ludan North Branch, Israel
- 1995 - Foundation of Ludan Software & Control Ltd.
- 1997 - Ludan - IPO in Tel-Aviv Stock Exchange
- 1997 - Foundation of Ludan Engineering SRL, Romania
- 2005 - Foundation of Ludancom BV by Ludan Group
- 2005 - Acquisition of KH Engineering BV
  - 1949 - Foundation of KH Engineering as Keynes
    - Acquisition of KH Engineering by Matthew Hall Keynes
    - Acquisition of KH Engineering by AMEC Engineering
- 2007 - KH Engineering NV, Belgium
- 2008 - Foundation of Ludan Engineering Ltd., Bulgaria
- 2009 - Foundation of Ludan Engineering DOO, Serbia
- 2013 - Foundation of Ludan Engineering International Ltd.
- 2014- Foundation of Ludan RUS Ltd., Russia
- 2015 - Foundation of Ludan China
- 2015 - Acquisition of Technip Benelux N.V. in Belgium
- 2015 - Acquisition of the Industrial Engineering department of Royal Haskoning DHV in Holland

## Ludan Tech Ltd.

- 2007 - Foundation of Ludan Tech Ltd.
- 2007 - Acquisition of Symcotech
- 2008 - Acquisition of Tact.
- 2008 - Foundation of Ludan Software & Control Sys. SRL, Romani
- 2015 - Acquisition of Ardan Control- Tech.

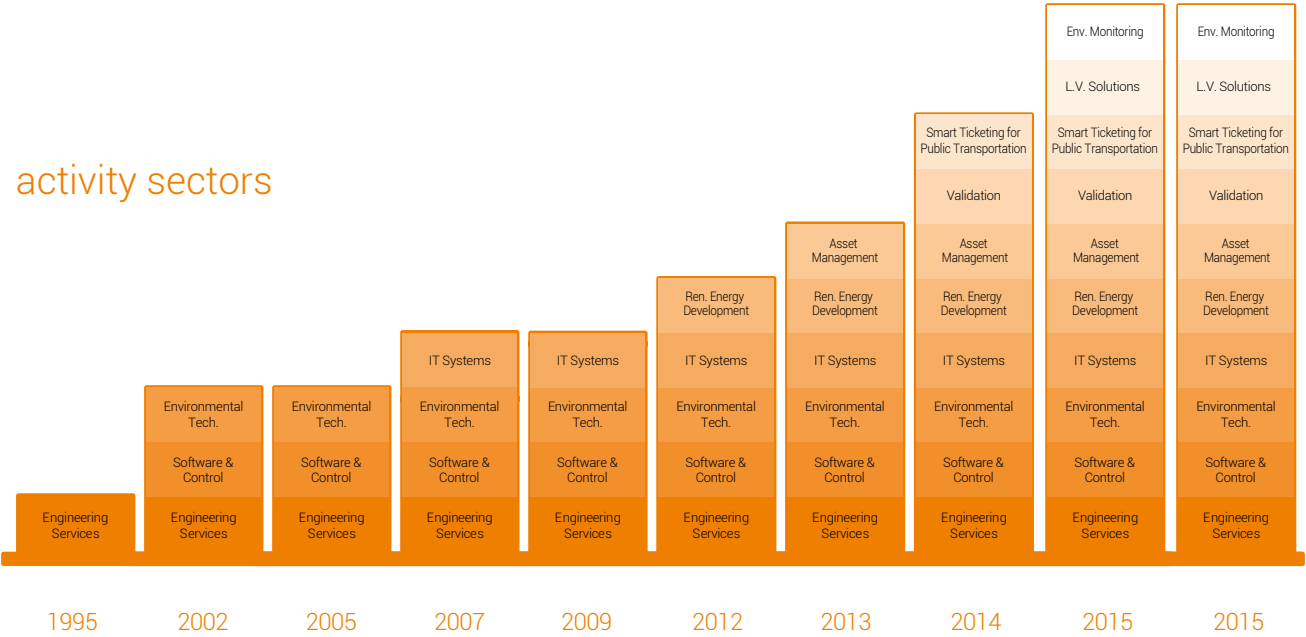
## Ludan Environmental Technologies Ltd.

- 2007 - Foundation of Ludan Environmental Tech Ltd.
- 2009 - Foundation of Ludan Renewable Energy in the Netherlands and Spain
- 2010 - 2014 Foundation of several SPC's to Build, Own and Operate biogas plants.
- 2015 - Acquisition of Eco Tech Environmental Services

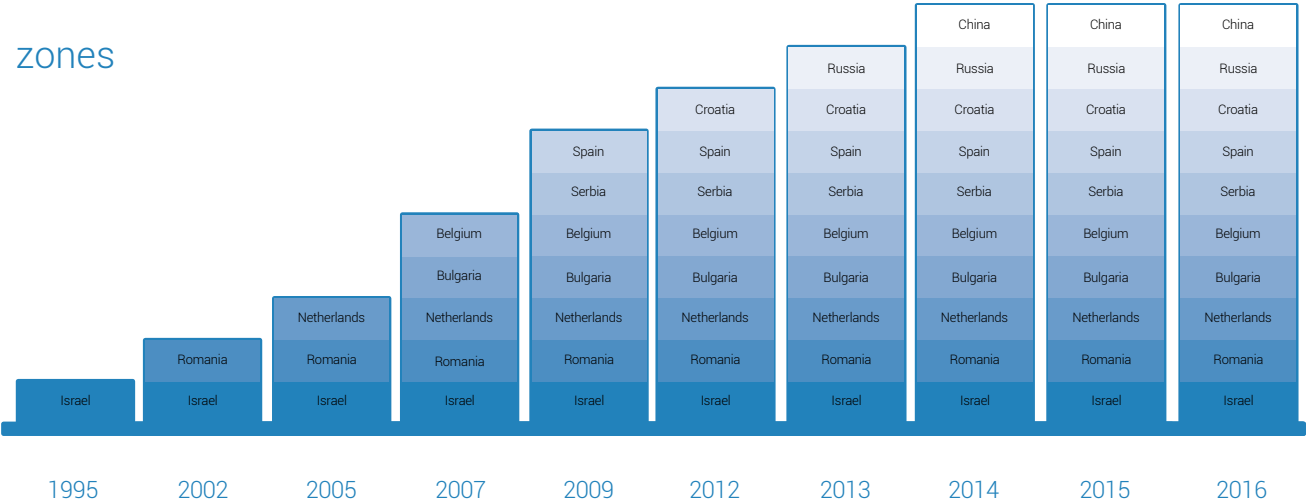


Milestones

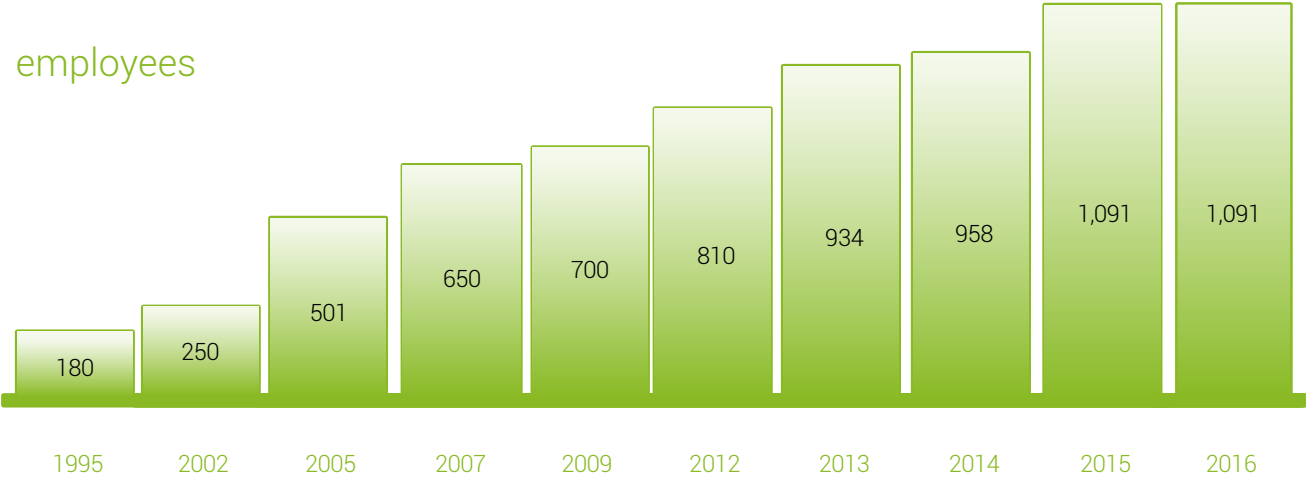
activity sectors



zones



employees



# Group Structure



# Ludan Group Structure

## Ludan Engineering Co. Ltd. (Holding Company)

### Project Implementation Ludan Engineering



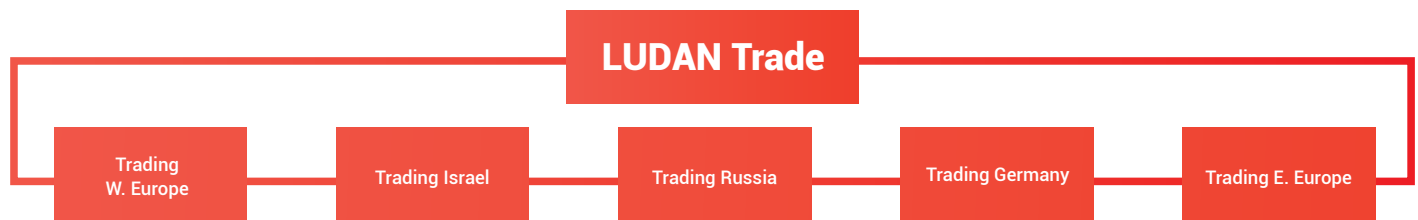
### Industrial IT Systems



### Environmental & Energy



### Trading

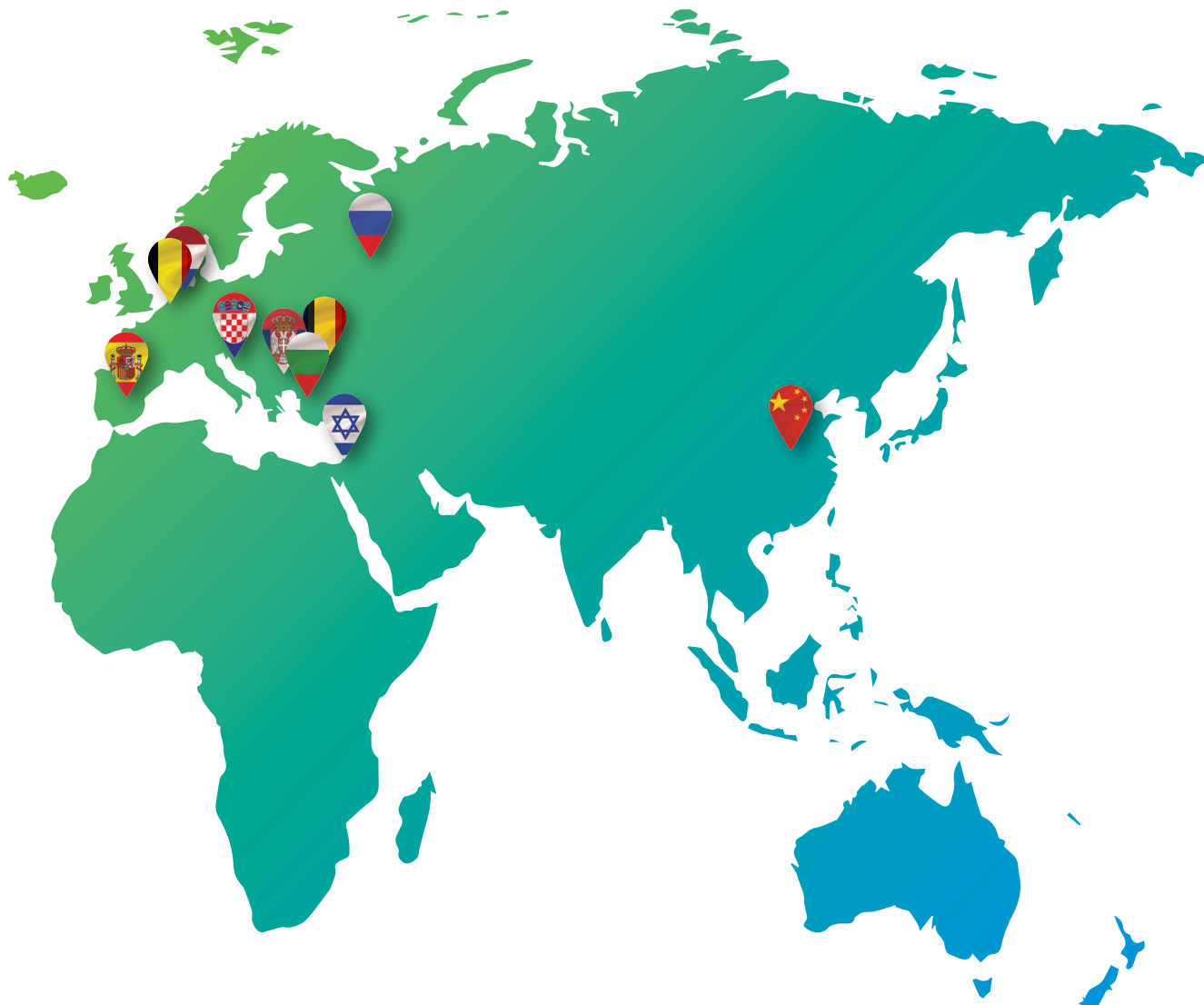


## **Where to find us**





# Where to find us



Israel



The Netherlands



Belgium



Spain



Romania



Serbia



Croatia



Bulgaria



China



Russia

# **Spectrum of Services**



# Engineering

## Main Markets

Refining and Petrochemical, Chemical and Agrochemical, Pharmaceuticals, Food, Semiconductors, Defense industries, and Power Plants.

## Services

Services are provided as engineering services in the EPCM or EPC framework, which, inter alia, include:

- Project management
- Preparation and Control of budgets and schedules
- Multidisciplinary design
- Procurement and contracting
- Construction management and Supervision
- Validation (implementation of international standards, such as FDA/GMP)
- Commissioning



# Industrial IT

## Services

**Software** Implementation and maintenance of shelf software of international brands

**Cyber Security** Infrastructure threats protection solutions

**Control** Design and implementation of integrated Control Systems

**Ticketing** Implementation of ticketing systems for public transportation, including back office systems

**Automated Test Equipment** Supply of ATE systems for the defense industries

**Multimedia** - Video Conferencing and Smart Electricity Systems

**HLS** - Access Control and Video Surveillance

**BMS** - BMS – Building Management system

**Street Light Control** – street and outdoor light control system and energy saving





# Environmental and Energy

## **Solutions**

Providing consulting and remediation solutions for soil and groundwater; proven technologies and track record of treating all types of industrial waste, air pollution (including CO<sub>2</sub> from natural gas wells).

## **Services**

Laboratory tests, field surveying, technology consultation demo-installation, commercial and operating performance, maintenance.

## **Renewable energies**

Energy production using raw materials from the green energy field, such as: recycled municipal waste, agricultural produce, organic waste, etc. (biogas, biomass, gasification and green gas).



# Trade

## Main Markets

Process Industry- Refining and Petrochemical, Chemical and Agrochemical, Pharmaceuticals, Food, Energy and Power Plants.

## Services

Procurement Services are provided as agency, representing selected Chinese manufacturers, which, inter alia, include:

- Local presence in China.
- Technical involvement in proposal stage.
- Supporting Chinese manufacturer with International Q.A.
- Supporting communication during negotiation.
- Supporting expediting process.
- After sale support.



# **Market Presence & Major Clients**





# Market Presence

## Markets/ Industries



**Chemical**



**Energy**



**Natural gas**



**Petrochemical  
and Refining**



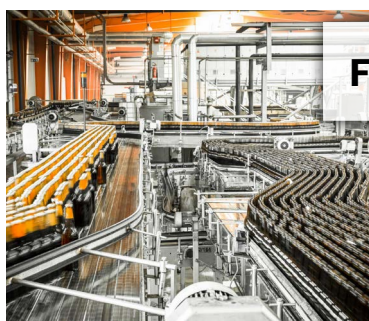
**Pharmaceutics**



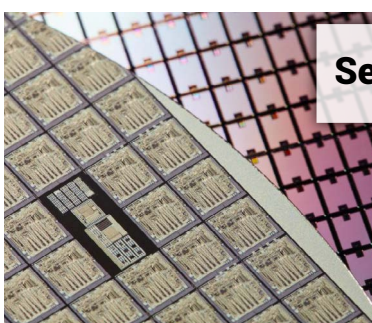
**Public  
Transportation**



**Defense  
Industry**



**Food**



**Semiconductors**



**Agrochemical**



## Major Clients



# **Main 2016 Highlights**



# Main 2016 Highlights

## **JOINT Investment Agreement - Waste Energy Projects** (July 2016)

Ludan Energy Overseas B.V., a wholly owned subsidiary of Ludan Environmental Technologies LTD, has signed an agreement with a financial partner for joint investment (Ludan – 49%, partner – 51%) in a portfolio of waste to energy projects in the Netherlands. Ludan Environmental Technologies Ltd is developing and will construct and operate the projects through its Dutch wholly owned subsidiaries Ludan Renewable Energy, Ludan Management & Operations and Ludan Energy Overseas which provide EPC, O&M and Project Development services, respectively.

Potential portfolio projects technology will be either anaerobic digestion or gasification and the facilities will produce gas from organic wastes to be upgraded into grid quality and injected into the Dutch national gas grid. All projects are BOO and are developed utilizing Dutch government's support for renewable energy projects.



## **Financial Closing - Biogas Plant Construction** (December 2016)

Ludan Environmental Technologies Ltd., a fully owned subsidiary of Ludan Group, announced the successful financial closing and a construction start of the Goor biogas plant, a 375 m<sup>3</sup> of green gas /hour, in the Netherlands. Energy production will be based on an annual processing mix of 36.000 tons of manure and agri-waste. The project which is located near the city of Goor, will be delivered by Groen Gas Goor BV, a Special Project Company which was established for this purpose. Partners in the Joint Venture are Ludan Energy Overseas BV, a subsidiary of Ludan Environmental Technologies Ltd. and Ellomay Capital. This is the first of a planned number of future biogas projects in which Ellomay will be the lead investor, together with Ludan. Ludan Environmental Technologies will design and build the plant under a €7.5M EPC contract through its Dutch subsidiary Ludan Renewable Energy. Ludan Maintenance and Operations BV, another Ludan Environmental Technologies subsidiary, will provide the project O&M services on a long-term basis of approximately 12 years.



### Cellular Public Transport Ticketing made comfortable with LudanTech's Technology (January 2016)

The public transport world is moving to next phase, enabling full customer independence in purchasing, riding and monitoring usage from his mobile device.

We developed an application which supports all existing travel contracts and by that allowing the passenger absolute independence from all tiresome payment means.

**Purchasing:** Faster and more Convenient, Displays all possible travel contracts available, Shows the possible discounts according to destination and contract type.

**One touch access** to existing travel contracts

**Usage monitoring** - Existing contracts, Expired/Used contracts, Usage History, Invoice history and Validations.

**BTLE** (Bluetooth Low Energy) technology, No Pairing required.

**Controlled distance from mobile** - validation range can be selected according to the location of passengers by a single validator.

**Secured and encrypted communication** between the mobile device and the validator.

**Multiple contracts support**, automatic selection of the best available contract for the current trip. **Easy to integrate into existing systems**





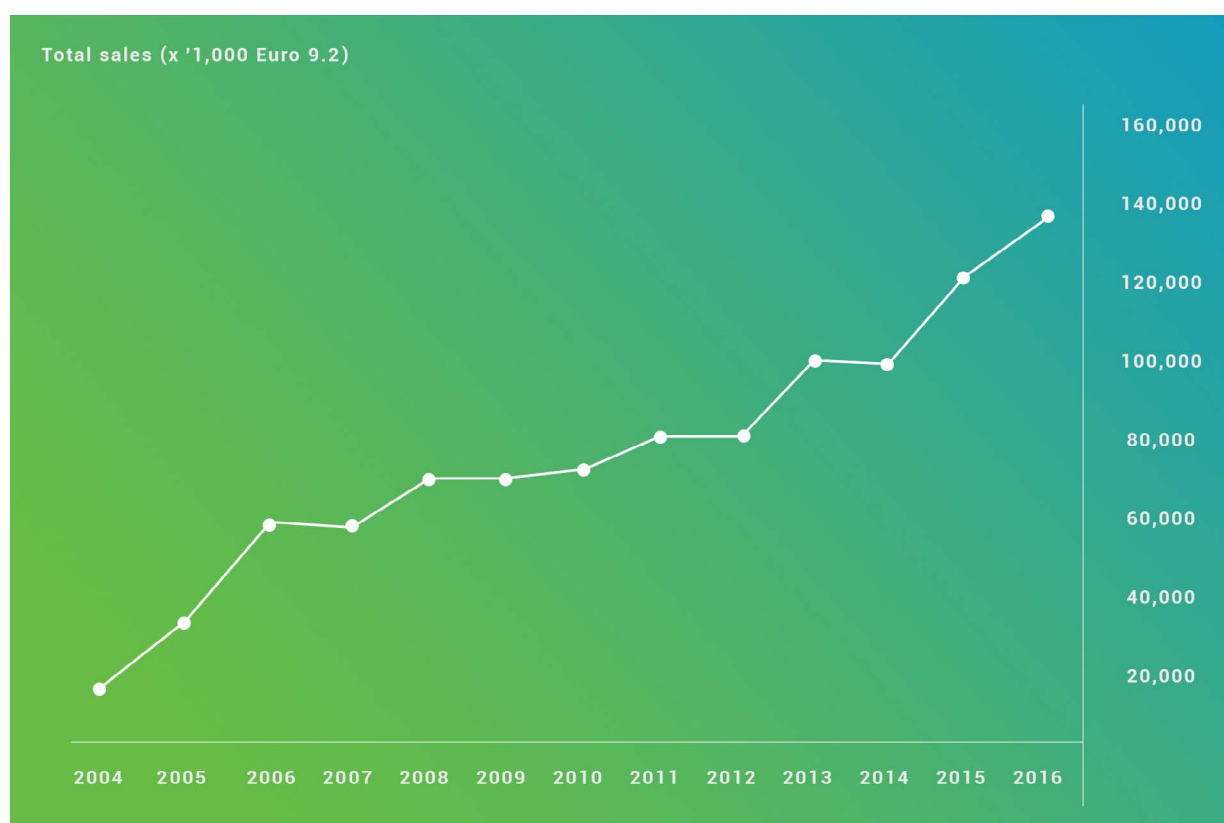
# 2016- Financial Data



# 2016- Financial Data

## Development of Financial results 2014 - 2016

Consolidated Balance Sheet (in '1.000 EUR)	2014	2015	2016
Current assets	44.931	66.288	63,698
Investments and long-term receivables	10.143	11.728	12155
Fixed assets	2.754	4.852	4,380
Intangible assets after amortization	6.003	7.265	6,805
<b>Total assets</b>	<b>63.831</b>	<b>90.133</b>	<b>87,038</b>
Current liabilities	33.655	48.223	47,516
Long-term liabilities	14.398	26.26	21,195
Minority interest	1.047	1.137	1,330
Shareholders' equity	14.731	14.513	16,997
<b>Total liabilities and shareholder's equity</b>	<b>63.831</b>	<b>90.133</b>	<b>87,038</b>
<b>Consolidated Results (in '1.000 EUR)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Sales	98.662	120.253	144.010
Gross Profit	12.015	12.177	21.274
(Operating earnings (losses	2.58	-278	6.702
Earnings (losses) before income tax	1.593	-1.822	3.609
Earnings (losses) after income tax	1.113	-1.45	2.235
<b>EBITDA</b>	<b>3.849</b>	<b>2.858</b>	<b>8.819</b>



# **Group Contacts**



# Group Contacts

## **Ludan Engineering Co. Ltd. - Group**

### **Head Office:**

6 Granit St. Kiryat Arie P.O.B. 3584  
Petach Tikva 49130, Israel  
Tel: +972 - 3 - 918 2000  
Fax: +972 - 3 - 918 2022  
center@ludan.co.il

### **Ludan Engineering Israel Ltd.**

6 Granit St. Kiryat Arie P.O.B. 3584  
Petach Tikva 49130, Israel  
Tel: +972 - 3 - 918 2000  
Fax: +972 - 3 - 918 2022  
center@ludan.co.il

### **South Branch**

Industrial Park, Building No. 10, Omer  
P.O.B 695, Beer Sheva 84105, Israel  
Tel: +972 - 8 - 625 8300  
Fax: +972 - 8 - 623 9028  
south@ludan.co.il

### **North Branch**

4, Hatnufa St.  
High Tech Park  
Yokneam 20692, Israel  
Tel: +972 - 4 - 9599 888  
Fax: +972 - 4 - 9599 880  
north@ludan.co.il

### **Ludan Projects Darom Ltd.**

6 Granit St. Kiryat Arie,  
P.O.B 3584  
Petach Tikva 49130, Israel  
Tel: +972 - 3 - 918 2000  
Fax: +972 - 3 - 918 2022  
center@ludan.co.il

### **Ludan Infrastructure & Construction Ltd.**

6 Granit St. Kiryat Arie P.O.B. 3584  
Petach Tikva 49130, Israel  
Tel: +972 - 3 - 918 2000  
Fax: +972 - 3 - 918 2022  
meshulam@ludan.co.il

## **KH Engineering**

Amsterdam Branch  
KH Engineering B.V.  
Kabelweg 21  
1014 BA Amsterdam, Netherlands  
Tel: +31 - 20 - 581 7200  
Fax: +31 - 20 - 581 7299  
amsterdam@khe.eu

### **Schiedam Branch**

KH Engineering B.V.  
Jan V. Galenstraat 2  
3115 JG Schiedam, Netherlands  
Tel: +31 - 10 - 208 8888  
Fax: +31 - 10 - 208 8777  
schiedam@khe.eu

### **Antwerpen Branch**

KH Engineering N.V.  
Uitbreidingstraat 80  
2600 Antwerp, Belgium  
Tel: +32 3 2060740  
antwerpen@khe.eu

### **KH International Projects B.V.**

Jan V. Galenstraat 2  
3115 JG Schiedam, Netherlands  
Tel: +31 - 10 - 208 8888  
Fax: +31 - 10 - 208 8777  
info@kh-international.eu

### **Ludan Engineering SRL**

52 Virtutii Blvd.,  
Sector 6, 060787  
Bucharest, Romania  
Tel: +40 - 31 - 229 2020  
Fax: +40 - 31 - 229 2022  
office@ludan.ro

### **Ludan Engineering Ltd.**

Distr. Slavejkov, bl.126, fl.2  
8000 Burgas, Bulgaria  
Tel/Fax: +359 56 82 53 79  
office@ludan.ro

**Ludan Engineering D.O.O**

St. Kozjacka 2  
11040 Belgrade, Savski Venac, Serbia  
Tel: +381-11-265-3718  
office@ludan.rs

**Ludan Engineering Rus LLC**

191186 Saint Petersburg, Canal Griboedova  
embankment, house 12, 3rd floor, the premise 8  
Tel/Fax: +7 812 383 5570  
Ludan-rus@ludan.com

**Ludantech**

Ludan Software & Control Systems Ltd.  
Bareket Building  
Negev St. 2, P.O.B 1099  
Airport City 70100, Israel  
Tel: +972 - 73 - 246 6222  
Fax: +972 - 73 - 246 6200  
mail@ludansy.co.il

**Symcotech**

Bareket Building  
Negev St. 2, P.O.B 1099  
Airport City 70100, Israel  
Tel: +972 - 73 - 246 6222  
Fax: +972 - 73 - 246 6200  
mail@symcotech.co.il

**Ardan Control Tech Ltd**

32 Habanay St. Holon 58117, Israel  
Tel: +972-3-6507000  
Fax: +972-3-5581311  
info@ardantech.com

**Ludan Environmental Technologies Ltd**

6 Granit St. Kiryat Arie P.O.B. 3584  
Petach Tikva 49130, Israel  
Tel: +972 - 3 - 918 2000  
Fax: +972 - 3 - 918 2022  
center@ludan.co.il

**Lextran Ltd.**

6 Granit St. Kiryat Arie P.O.B. 3584  
Petach Tikva 49130, Israel  
Tel: +972 - 3 - 918 2000  
Fax: +972 - 3 - 918 2022  
info@lextran.co.il

**Eco Tech Environmental Services Ltd**

34 Yehoshua Hatsoref St. Beer She-va 84105, Israel  
Tel: +972-8-6460550  
Fax: +972-8-6236080  
office@eco-tech.co.il

**Ludan Renewable Energy B.V.**

Jan V. Galenstraat 2  
3115 JG Schiedam, Netherlands  
Tel: +31 - 10 - 208 8888  
Fax: +31 - 10 - 208 8777  
info@ludan-lre.com

**Ludan Renewable Energy SL**

C/Munich 72, 33B-Pta1  
46900 - Torrent (Valencia), Spain  
Tel: +34 - 961 - 565 534  
Fax: +34 - 961 - 581 983  
oficinas@ludan.lre.com

**Ludan Energy Overseas**

6 Granit St. Kiryat Arie P.O.B. 3584  
Petach Tikva 49130, Israel  
Tel: +972 - 3 - 918 2000  
Fax: +972 - 3 - 918 2022  
center@ludan.co.il





## **Appendix: Auditors Report**

# Appendix: Auditors Report



**BAKER TILLY**

11 Menachem Begin St.,  
Rogovin Tidhar tower,  
Ramat-Gan 52681  
Israel

Tel: +972-3-5665006  
Fax: +972-74-7144150  
info@bakertilly.co.il

April 9, 2017

**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, 2016 and 2015.
2. The consolidated statements of income for the years ended December 31, 2016, 2015 and 2014.
3. Changes in shareholders' equity for the years ended December 31, 2016, 2015 and 2014.
4. The consolidated cash flows for the years ended December 31, 2016, 2015 and 2014.
5. Segment reporting for the years ended December 31, 2016, 2015 and 2014.

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 31.12.2016 is:

\$1 = 3.845 NIS.

€1 = 4.0438 NIS.

Sincerely yours,

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

look for us on 

[www.bakertilly.co.il](http://www.bakertilly.co.il)

Baker Tilly is a trading name of Horowitz Idan Sabo Tevet & Cohen Tabach  
An independent member of Baker Tilly International

# Consolidated statements of financial position as at December 31

## LUDAN ENGINEERING CO. LTD

### Consolidated statements of financial position as at December 31

	December 31	
	2016	2015
	(Audited)	
	NIS thousands	
<b>ASSETS</b>		
<b><u>Current assets:</u></b>		
Cash and cash equivalents	34,823	63,922
Restricted bank deposits	3,437	7,880
Trade and income receivables	178,623	170,780
Other receivables and debit balances	20,200	20,330
Current tax receivables	3,572	3,420
Inventory	16,684	15,179
<b>Total current assets</b>	<b>257,339</b>	<b>281,511</b>
<b><u>Non-current assets:</u></b>		
Affiliates - investments and loans	25,407	19,323
Trade receivables and loans to others	11,491	18,280
Fixed assets	17,697	<sup>(*)</sup> 19,244
Intangible assets	27,491	<sup>(*)</sup> 32,459
Other assets	435	455
Deferred tax	11,773	11,748
<b>Total non-current assets</b>	<b>94,294</b>	<b>101,509</b>
<b>Total assets</b>	<b>351,633</b>	<b>383,020</b>

(\*) 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	
	2016	2015
	(Audited)	
	NIS thousands	
<b>LIABILITIES AND EQUITY</b>		
<b><u>Current liabilities:</u></b>		
Short-term bank credit and others	37,269	30,852
Short-term bonds	5,435	-
Suppliers, Sub-contractors and Service-providers	52,288	57,026
Advances from customers	22,265	37,904
Other Payables and credit balances	69,864	76,773
Tax liabilities	4,845	2,238
<b>Total current liabilities</b>	<b>191,966</b>	<b>204,793</b>
<b><u>Non-current liabilities:</u></b>		
Long term loans to banks and others	21,705	40,208
Bonds	43,476	48,577
Payables in respect of the acquisition of a subsidiary	-	2,365
PUT option to Minority Interest	6,615	6,540
Other long term payables	341	313
Deferred tax	442	(*) 1,200
Non-current compensation liabilities	13,049	12,562
<b>Total non-current liabilities</b>	<b>85,628</b>	<b>111,765</b>
<b>Total liabilities</b>	<b>277,594</b>	<b>316,558</b>
<b><u>Equity:</u></b>		
Share Capital	12,936	12,936
Share Premium	28,439	28,439
Currency translation adjustments	(7,211)	(6,486)
Other hedges	(6,734)	(6,735)
Retained earnings	41,237	33,480
<b>Total equity attributable to shareholders</b>	<b>68,667</b>	<b>61,634</b>
<b>Total equity attributable to Minority Interest</b>	<b>5,372</b>	<b>4,828</b>
<b>Total Equity</b>	<b>74,039</b>	<b>66,462</b>
<b>Total liabilities and Equity</b>	<b>351,633</b>	<b>383,020</b>
(*) Restated.		

(\*) Restated.

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 28, 2016



# Consolidated statements of financial position as at December 31

## LUDAN ENGINEERING CO. LTD

### Consolidated statements of income for the year ended December 31

	2016	2015	2014
	NIS Thousands		
Revenue	581,799	518,816	468,416
Cost of revenue	495,854	(*) 461,580	411,373
<b>Gross income</b>	<b>85,945</b>	<b>57,236</b>	<b>57,043</b>
Marketing and sales expenses	9,949	(*) 5,759	(*) 1,218
Business and development expenses	2,065	(*) 2,642	(*) 3,086
Administrative and general expenses	46,854	45,656	41,243
<b>Operating profit before other income, net</b>	<b>27,077</b>	<b>3,179</b>	<b>11,496</b>
Other income (expenses), net	(3,753)	(4,378)	755
<b>Operating profit (losses)</b>	<b>23,324</b>	<b>(1,199)</b>	<b>12,251</b>
Financial expenses	(9,266)	(8,760)	(6,726)
Financial income	1,655	2,290	2,004
<b>Financial expenses, net</b>	<b>(7,611)</b>	<b>(6,470)</b>	<b>(4,722)</b>
Share in profit (losses) of affiliated companies, net	(1,133)	(192)	32
<b>Income (losses) before income taxes</b>	<b>14,580</b>	<b>(7,861)</b>	<b>7,561</b>
Income taxes (expenses)	5,551	(1,605)	2,279
<b>Income (losses) for the year</b>	<b>9,029</b>	<b>(6,256)</b>	<b>5,282</b>
<b>Attributable to:</b>			
Owners of the Company	7,277	(7,495)	2,947
Minority interest	1,752	1,239	2,335
	<b>9,029</b>	<b>(6,256)</b>	<b>5,282</b>
<b>Earnings (losses) per share attributable to owners of the Company (in NIS):</b>			
Basic and diluted earnings per share	<b>0.63</b>	<b>(0.65)</b>	<b>0.26</b>

(\*) Restated.

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**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>NIS Thousands</b>		
<b>Income (losses) for the year</b>	<b>9,029</b>	<b>(6,256)</b>	<b>5,282</b>
<b>Comprehensive Profit (losses):</b>			
<b>Items that can be reclassified into profit or loss:</b>			
Foreign currency translation differences for foreign operations	<b>(952)</b>	<b>(3,731)</b>	<b>(728)</b>
Release of translation differences reserve for foreign operations	<b>-</b>	<b>-</b>	<b>815</b>
<b>Items that cannot be reclassified into profit or losses:</b>			
Actuarial gain on defined benefit plans	<b>1</b>	<b>2,043</b>	<b>502</b>
<b>Comprehensive profit (losses) for the year, net of tax</b>	<b>(951)</b>	<b>(1,688)</b>	<b>589</b>
<b>Total comprehensive profit (losses) for the year</b>	<b>8,078</b>	<b>(7,944)</b>	<b>5,871</b>
<b>Attributable to:</b>			
Shareholders	<b>6,553</b>	<b>(8,744)</b>	<b>3,905</b>
Minority Interests	<b>1,525</b>	<b>800</b>	<b>1,966</b>
<b>Total comprehensive income for the year</b>	<b>8,078</b>	<b>(7,944)</b>	<b>5,871</b>

The notes to the financial statements form an integral part thereof

# Consolidated statements of changes in equity

## LUDAN ENGINEERING CO. LTD Consolidated statements of changes in equity

	Capital attributed to the owners of the company						Non Controlling Share holders	Total
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to the owners of the company		
NIS Thousands								
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 for the year	-	-	-	-	7,277	7,277	1,752	9,029
Other comprehensive income:								
Exchange rate translation differences on foreign operations	-	-	(725)	-	-	(725)	(227)	(952)
Actuarial gain on defined benefit plans	-	-	-	1	-	1	-	1
Total other comprehensive income for the year	-	-	(725)	1	7,277	6,553	1,525	8,078
Dividends to non-controlling shareholders	-	-	-	-	-	-	(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

Capital attributed to the owners of the company								
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to the owners of the company	Non Controlling Share holders	Total
	NIS Thousands							
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	-	-	-	-	(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 shareholders	-	-	-	-	-	-	(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



# Consolidated statements of changes in equity

## LUDAN ENGINEERING CO. LTD Consolidated statements of changes in equity

	Capital attributed to the owners of the company						Non Controlling Share holders	Total
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to the owners of the company		
NIS Thousands								
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)
Release of translation differences reserve for foreign operations	-	-	815	-	-	815	-	815
Actuarial gain on defined benefit plans	-	-	-	502	-	502	-	502
Total other comprehensive income for the year	-	-	456	502	2,947	3,905	1,966	5,871
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



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**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**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
		<i>NIS Thousands</i>	
Assets of the subsidiary and activity as of the consolidation date except cash and cash equivalents	-	(39,909)	(5,445)
Liabilities of the subsidiary and activity as of consolidation date	-	32,133	5,018
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	-
Unpaid balance	-	-	570
	-	(8,028)	143



## **LUDAN ENGINEERING CO. LTD** **Notes to Financial Statements**

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### **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, 2016				Total
	Engineering Department	Software and Control Department	Energy and Environment Department	Cancellations	
	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)	-
	<u>389,384</u>	<u>159,579</u>	<u>38,648</u>	<u>(5,812)</u>	<u>581,799</u>
Segment results in Israel	349	13,997	121		14,467
Segment results abroad	12,079	-	531		12,610
Segment results	<u>12,428</u>	<u>13,997</u>	<u>652</u>		<u>27,077</u>
Other expenses, net					(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					<u>9,029</u>

## LUDAN ENGINEERING CO. LTD Notes to Financial Statements

### Segment reporting - continued

#### E. Segment data - continued:

	For the year ended December 31, 2015				Total
	Engineering Department	Software and Control Department	Energy and Environment Department	Cancellations	
	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>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>

**LUDAN ENGINEERING CO. LTD**  
**Notes to Financial Statements**

**Segment reporting - continued**

**E. Segment data - continued:**

	For the year ended December 31, 2014				Total
	Engineering Department	Software and Control Department	Energy and Environment Department	Cancellations	
	NIS thousands				
Revenues from Israelis external customers	146,840	62,854	9,574	-	219,268
Revenues from abroad external customers	177,882	3,893	67,373	-	249,148
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 in Israel	(746)	1,660	1,052		1,966
Segment results abroad	<u>9,107</u>	<u>18</u>	<u>405</u>		<u>9,530</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					<u>32</u>
Income for the year					<u>5,282</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	<b>156,726</b>	<b>147,216</b>	<b>43,493</b>	<b>347,435</b>
Joint assets that are not allocated				<b>4,198</b>
Total consolidated assets				<b>351,633</b>
Segment liabilities	<b>101,237</b>	<b>112,429</b>	<b>60,892</b>	<b>274,558</b>
Joint liabilities that are not allocated				<b>3,036</b>
Total consolidated liabilities				<b>277,594</b>
Capital investment	<b>4,167</b>	<b>2,462</b>	<b>7,155</b>	<b>13,784</b>
Joint capital investment that are not allocated				<b>-</b>
				<b>13,784</b>
Depreciation and amortization	<b>5,207</b>	<b>2,857</b>	<b>486</b>	<b>8,550</b>
Impairment of assets, net	<b>1,213</b>	<b>937</b>	<b>1,201</b>	<b>3,351</b>
Joint depreciation and amortization that are not allocated				<b>148</b>
				<b>12,049</b>

**LUDAN ENGINEERING CO. LTD**  
**Notes to Financial Statements**

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**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	165,966	154,252	(*) 56,980	377,198
Joint assets that are not allocated				5,822
Total consolidated assets				383,020
Segment liabilities	115,312	126,033	(*) 70,471	311,816
Joint liabilities that are not allocated				4,742
Total consolidated liabilities				316,558
Capital investment	10,569	8,835	3,867	23,271
Joint capital investment that are not allocated				-
				23,271
Depreciation and amortization	4,282	4,512	181	8,975
Impairment of assets, net	-	4,378	-	4,378
Joint depreciation and amortization that are not allocated				176
				13,529

(\*) Restated.

**LUDAN ENGINEERING CO. LTD**  
**Notes to Financial Statements**

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## 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		
	2016	2015	2014
	NIS thousands		
Israel	<b>279,968</b>	232,663	173,745
Western Europe	<b>282,811</b>	270,082	233,281
Eastern Europe	<b>19,020</b>	16,071	61,390
	<b>581,799</b>	518,816	468,416

	Segment assets		Capital investment	
	December 31		December 31	
	2016	2015	2016	2015
NIS thousands				
Israel	<b>238,229</b>	234,409	<b>11,128</b>	10,569
Western Europe	<b>95,809</b>	114,833	<b>1,997</b>	8,835
Eastern Europe	<b>17,595</b>	33,778	<b>659</b>	3,867
	<b>351,633</b>	383,020	<b>13,784</b>	23,271







LUDAN  
GROUP

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global experience  
local approach