

March 24, 2020

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, 2019 and 2018.
2. The consolidated statements of income for the years ended December 31, 2019, 2018 and 2017.
3. Changes in shareholders' equity for the years ended December 31, 2019, 2018 and 2017.
4. The consolidated cash flows for the years ended December 31, 2019, 2018 and 2017.
5. Segment reporting for the years ended December 31, 2019, 2018 and 2017.

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 31.12.2019 is:

\$1 = 3.456 NIS.

€1 = 3.8782 NIS.

Sincerely yours,

Horowitz Idan Sabo Tevet Cohen Tabach
Horowitz Idan Sabo Tevet & Cohen Tabach

Certified Public Accountants (Isr.)

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Baker 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	
	2019	2018
	(Audited)	
	NIS thousands	
ASSETS		
<u>Current assets:</u>		
Cash and cash equivalents	25,088	26,165
Restricted bank deposits	1,030	482
Trade and income receivables	182,649	213,068
Other receivables and debit balances	13,090	13,475
Current tax receivables	3,542	2,464
Inventory	15,672	20,338
Total current assets regarding to operating activities	241,071	275,992
Current assets intended for sale	4,462	17,264
Total current assets	245,533	293,256
<u>Non-current assets:</u>		
Investment in associates	27	465
Trade receivables and loans to others	563	3,452
Fixed assets	14,977	18,833
Intangible assets	25,935	25,806
Other assets	426	351
Deferred tax	10,515	9,947
Right-of-use assets	82,469	-
Total non-current assets	134,912	58,854
Total assets	380,445	352,110

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	
	2019 ^(*)	2018
	(Audited)	
	NIS thousands	
LIABILITIES AND EQUITY		
<u>Current liabilities:</u>		
Short-term bank credit and others	46,564	59,253
Short - term lease liabilities	20,579	-
Short-term bonds	11,110	11,110
Suppliers, Sub-contractors and Service-providers	53,594	65,102
Advances from customers	13,209	13,401
Other Payables and credit balances	69,687	69,263
PUT option to Minority Interest	-	11,945
Tax liabilities	2,929	3,142
Total current liabilities regarding to operating activities	217,672	233,216
Current liabilities regarding to discontinued operations	842	-
Total current liabilities	218,514	233,216
<u>Non-current liabilities:</u>		
Long term loans to banks and others	354	13,095
Long term lease liabilities	62,927	-
Bonds	10,900	21,783
Non-current compensation liabilities	13,357	11,744
Deferred tax	858	900
Total non-current liabilities	88,396	47,522
Total liabilities	306,910	280,738
<u>Equity:</u>		
Share Capital	12,936	12,936
Share Premium	28,439	28,439
Currency translation adjustments	(10,091)	(7,037)
Other hedges	(7,184)	(6,780)
Retained earnings	43,684	36,899
Total equity attributable to shareholders	67,784	64,457
Total equity attributable to Minority Interest	5,751	6,915
Total Equity	73,535	71,372
Total liabilities and Equity	380,445	352,110

The notes to the financial statements form an integral part thereof

Avi Winter
the board of Directors

Arnon Aharon - Co Chief
executive Officer

Gonen Betser - Chief
financial Officer

Approval date of the financial statements: March 24, 2020

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

	2019 ^(*)	2018 ^(**)	2017 ^(**)
Revenue	564,901	555,422	527,274
Cost of revenue	493,900	482,513	456,570
Gross income	71,001	72,909	70,704
Marketing and sales expenses	3,626	3,962	5,178
Business and development expenses	818	1,660	1,371
Administrative and general expenses	39,965	45,734	45,717
Operating profit before other income, net	26,592	21,553	18,438
Other expenses, net	271	3,812	1,316
Operating profit	26,321	17,741	17,122
Financial expenses	(8,691)	(7,228)	(7,533)
Financial income	584	1,201	1,496
Financial expenses, net	(8,107)	(6,027)	(6,037)
Share in losses of affiliated companies, net	-	(465)	(24)
Income before income taxes	18,214	11,249	11,061
Income taxes expenses	6,681	8,560	5,731
Income from operating activities	11,533	2,689	5,330
Income (loss) from discontinued operations	(2,692)	(11,073)	4,306
Income (loss) for the year	8,841	(8,384)	9,636
Income from operating activities attributed to:			
Owners of the Company	9,279	921	3,687
Minority interest	2,254	1,768	1,643
Income (loss) from operating activities	11,533	2,689	5,330
Income (loss) from discontinued operations attributed to:			
Owners of the Company	(2,521)	(11,003)	4,139
Minority interest	(171)	(70)	167
Income (loss) from discontinued operations	(2,692)	(11,073)	4,306
Earnings (losses) per share attributable to owners of the Company (in NIS):			
Earnings (deficit) per share from operating activities	0.81	0.08	0.32
Earnings (deficit) per share from discontinued operations	(0.22)	(0.95)	0.36

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>2019</u>	<u>2018</u>	<u>2017</u>
	<u>NIS Thousands</u>		
Income (loss) for the year	<u>8,841</u>	<u>(8,384)</u>	<u>9,636</u>
Comprehensive Income (loss):			
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	<u>(3,589)</u>	83	51
Items that cannot be reclassified into profit or losses:			
Actuarial gain on defined benefit plans	<u>227</u>	15	<u>(61)</u>
Comprehensive Income (loss) for the year, net of tax	<u>(3,362)</u>	98	<u>347</u>
Total comprehensive Income (loss) for the year	<u>5,479</u>	<u>(8,286)</u>	<u>9,983</u>
Attributable to:			
Shareholders	<u>3,931</u>	(10,072)	7,944
Minority Interests	<u>1,548</u>	1,786	<u>2,039</u>
Total comprehensive Income (loss) for the year	<u>5,479</u>	<u>(8,286)</u>	<u>9,983</u>

The notes to the financial statements form an integral part thereof

LUDDAN 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				
As at January 1, 2019	12,936	28,439	(7,037)	(6,780)	36,899	64,457	6,915	71,372	
Movement in 2019:									
Profit (losses) for the year	-	-	(3,054)	227	6,758	3,931	1,548	5,479	
Net acquisition of stocks in consolidated company from non – controlling interests	-	-	-	(631)	(272)	(903)	(608)	(1,511)	
Dividend to non-controlling share holders	-	-	-	-	-	-	(2,104)	(2,104)	
Share-Based Payment	-	-	-	-	299	299	-	299	
Total capital as of 31 December, 2019	12,936	28,439	(10,091)	(7,184)	43,684	67,784	5,751	73,535	
As at January 1, 2018	12,936	28,439	(7,032)	(6,795)	49,543	77,091	6,284	83,375	
Effect of initial application of IFRS15	-	-	-	-	(2,861)	(2,861)	-	(2,861)	
Balance as of January 1, 2018 after initial application	12,936	28,439	(7,032)	(6,795)	46,682	74,230	6,284	80,514	
Movement in 2018:									
Profit (losses) for the year	-	-	(5)	15	(10,082)	(10,072)	1,786	(8,286)	
Dividend to non-controlling share holders	-	-	-	-	-	-	(1,155)	(1,155)	
Share-Based Payment	-	-	-	-	299	299	-	299	
Total capital as of 31 December, 2018	12,936	28,439	(7,037)	(6,780)	36,899	64,457	6,915	71,372	

NIS Thousands

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			
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 for the year	-	-	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 of 31 December 2017	12,936	28,439	(7,032)	(6,795)	49,543	77,091	6,284	83,375

NIS Thousands

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**

	2019	2018	2017
	NIS Thousands		
Cash flows from operating activities:			
Cash from operating activities before finance and taxes, net (Appendix A)	89,298	26,673	12,967
Interest paid	(4,952)	(6,829)	(6,187)
Interest received	501	575	1,619
Income tax paid	(8,889)	(7,055)	(6,835)
Income tax refund	193	384	1,022
Net cash generated from operating activities	76,151	13,748	2,586
Net cash generated from (used in) discontinued operations	(11,486)	(9,255)	3,508
Net cash generated from operating activities	64,665	4,493	6,094
Cash flows from investing activities:			
Withdrawal bank investments, net	(590)	363	1,840
Payment of loans from others	767	-	-
Purchase of fixed assets, net	(2,746)	(5,126)	(4,610)
Purchase of Intangible and other assets, net	(4,190)	(1,943)	(1,738)
Loans granted, net	-	-	2,365
Net cash used in investing activities	(6,759)	(6,706)	(2,143)
Net cash generated from (used in) discontinued investing activities	15,721	2,766	(4,218)
Net cash generated from (used in) investing activities	8,962	(3,940)	(6,361)
Cash flows from financing activities:			
Receipt of long term loans from banks and others	-	8,739	-
Payment of long term loans to banks and others	(7,314)	(12,559)	(8,587)
Payables repayment obligation for the acquisition of rights in subsidiary	-	-	(2,365)
Payment of lease liability	(26,299)	-	-
Proceeds from issuance of Bonds	(11,110)	(11,110)	(5,555)
Dividends to minority interests in subsidiaries	(2,104)	(1,155)	(1,127)
Stock acquisition from non – controlling interests	(1,511)	-	-
Short term credit changes	(14,621)	13,401	10,058
Payment of PUT option liability to non – controlling interests at consolidated company	(11,945)	-	-
Net cash used in financing activities	(74,904)	(2,684)	(7,576)
Net cash generated from discontinued financing activities	-	786	1,414
Net cash used in financing activities	(74,904)	(1,898)	(6,162)
Translation differences in respect of overseas units	200	(791)	(93)
Decrease in cash and cash equivalents	(1,077)	(2,136)	(6,522)
Cash and cash equivalents at the beginning of the year	26,165	28,301	34,823
Cash and cash equivalents at the end of year	25,088	26,165	28,301

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>2019</u>	<u>2018</u>	<u>2017</u>
	<i>NIS Thousand</i>		
Profit (losses) for the year	11,533	2,689	5,330
Income and expenses not affecting cash flows:			
Partial share of losses in of affiliated companies	-	465	24
Depreciation and amortization	33,691	9,244	8,419
Impairment of assets, net	467	3,819	1,364
Cost of share-based payment	299	299	480
Income taxes	6,681	8,560	5,731
Profit from sale of associate	(196)	-	-
Income (loss) from sale of fixed assets, net	-	(7)	(48)
Increase (decrease) in employee benefits liabilities, net	1,909	(1,611)	211
Financial expenses, net	6,954	6,322	4,503
	61,338	29,780	26,014
Changes in operating assets and liabilities:			
Decrease (increase) in Trade and income receivables	20,286	(12,727)	(6,699)
Decrease (increase) in Other receivables and debit balances	(4,089)	5,294	(6,801)
Decrease (increase) in Inventory	4,668	1,627	(5,281)
Increase (decrease) in Suppliers, Sub-contractors and service-providers	(112)	7,919	(2,062)
Increase (decrease) in Advances from customers	1,784	3,044	(2,501)
Increase (decrease) in Other Payables	5,423	(8,264)	10,297
	27,960	(3,107)	(13,047)
Cash derived from operating activity before finance and taxes, net	89,298	26,673	12,967
Appendix B – Major noncash operations:			
Right of use assets	107,655	-	-
Lease liabilities	107,655	-	-

The notes to the financial statements form an integral part thereof

Segment reporting

The reporting format of the Group in accordance with the implementation of the "management approach", as defined by IFRS 8, is 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.

As of the second half of 2018, the company began to re-organize the Group's renewable energy operations in Western Europe (hereinafter: the "biogas") and decided to close the renewable energy operations, which means discontinuing the activities of its subsidiaries abroad who were engaged in the initiating and developing renewable energy projects, as well as carrying out construction projects and providing maintenance and operating services for such projects, as well as selling the company's holdings (through a franchise through subsidiaries) biogas facilities in the Netherlands.

Renewable energy activities were a major and significant part of the energy and environmental sector activities, one of the three operating segments reported by the company by the end of 2018 (inclusive). Following the cessation of renewable energy activities, this sector remains active at the Israeli environment, which it's scale is not essential and with accordance to the engineering activities in Israel. Therefore, as of the beginning of 2019, the environmental activity in Israel is under operational engineering in Israel.

Accordingly, as of the financial statements for the quarter ended March 31, 2019, the Company stopped reporting separately on energy and environmental sectors.

The renewable energy activities are presented in these reports as discontinued operations, and are reported accordingly. The results of environmental activities in Israel for the year ended December 31, 2019 are included and reported under the results of the engineering activity segment. Comparison data for previous periods were reclassified accordingly.

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

- 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.

E. Segment data

For the year ended December 31, 2019				
	Engineering Department	Software and Control Department	Reconciliations	Total
NIS thousands				
Revenues from Israelis external customers	132,556	149,250	-	281,806
Revenues from abroad external customers	283,095	-	-	283,095
Inter-segment transfers	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	14,579	-	-	17,579
Segment results	<u>21,959</u>	<u>3,743</u>	<u>890</u>	<u>26,592</u>
Other expenses, net	<u>196</u>	<u>(467)</u>	<u>-</u>	<u>(271)</u>
Financial expenses, net not allocated				(8,107)
Income taxes expenses				(6,681)
Loss from discontinued operation				<u>(2,692)</u>
Profit for the year				<u>8,841</u>

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data – continued

For the year ended December 31, 2018 ^(*)				
	<u>Engineering Department</u>	<u>Software and Control Department</u>	<u>Reconciliations</u>	<u>Total</u>
	NIS thousands			
Revenues from Israelis external customers	133,740	137,972	-	271,712
Revenues from abroad external customers	283,710	-	-	283,710
Intersegment transfers	9,780	758	(10,538)	-
	<u>427,230</u>	<u>138,730</u>	<u>(10,538)</u>	<u>555,422</u>
Segment results in Israel	8,266	(582)	563	8,274
Segment results abroad	13,306	-	-	13,306
Segment results	<u>21,572</u>	<u>(582)</u>	<u>563</u>	<u>21,553</u>
Other expenses, net	<u>(595)</u>	<u>(3,217)</u>	<u>-</u>	<u>(3,812)</u>
Financial expenses, net not allocated				(6,027)
Income taxes expenses				(8,560)
Share of profit of associates				(465)
Loss from discontinued operations				<u>(11,073)</u>
Losses for the year				<u>(8,384)</u>

(*) Restated – see note 3.

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data – continued:

For the year ended December 31, 2017^(*)				
	Engineering Department	Software and Control Department	Reconciliatio ns	Total
	NIS thousands			
Revenues from Israelis external customers	122,213	142,306	-	264,519
Revenues from abroad external customers	262,755	-	-	262,755
Inter segment transfers	5,892	405	(6,297)	-
	<u>390,860</u>	<u>142,711</u>	<u>(6,297)</u>	<u>527,274</u>
Segment results in Israel	(3,143)	10,292	(1,442)	5,706
Segment results abroad	12,732	-	-	12,732
Segment results	<u>9,588</u>	<u>10,292</u>	<u>(1,442)</u>	<u>18,438</u>
Other expenses, net	<u>(601)</u>	<u>(715)</u>	<u>-</u>	<u>(1,316)</u>
Financial expenses, net not allocated				(6,037)
Income taxes expenses				(5,731)
Share of profit of associates				(24)
Loss from discontinued operations				<u>(4,306)</u>
Profit for the year				<u>9,636</u>

(*) Restated – see note 3.

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data - continued:

	December 31, 2019		
	Engineering Department	Software and Control Department	Total
	NIS thousands		
Segment assets	<u>238,130</u>	<u>139,034</u>	<u>377,164</u>
Joint assets that are not allocated			<u>3,281</u>
Total consolidated assets			<u>380,445</u>
Segment liabilities	<u>200,614</u>	<u>104,213</u>	<u>304,827</u>
Joint liabilities that are not allocated			<u>2,083</u>
Total consolidated liabilities			<u>306,910</u>
Capital investment	<u>3,280</u>	<u>3,656</u>	<u>6,936</u>
Joint capital investment that are not allocated			<u>-</u>
			<u>6,936</u>
Sale of investments and investments returns.	<u>(553)</u>	<u>-</u>	<u>(553)</u>
Depreciation and amortization	<u>5,536</u>	<u>2,862</u>	<u>8,398</u>
Joint depreciation and amortization that are not allocated			<u>25,293</u>
			<u>33,691</u>

LUDAN ENGINEERING CO. LTD
Notes to Financial Statements

Segment reporting - continued

E. Segment data - continued:

	December 31, 2018		
	Engineering Department	Software and Control Department	Total
	NIS thousands		
Segment assets	<u>207,914</u>	<u>140,816</u>	348,730
Joint assets that are not allocated			<u>3,380</u>
Total consolidated assets			<u>352,110</u>
Segment liabilities	<u>172,672</u>	<u>105,970</u>	278,642
Joint liabilities that are not allocated			<u>2,096</u>
Total consolidated liabilities			<u>280,738</u>
Capital investment	<u>5,771</u>	<u>2,928</u>	8,699
Joint capital investment that are not allocated			<u>-</u>
			<u>8,699</u>
Depreciation and amortization	<u>(4,190)</u>	<u>-</u>	<u>(4,190)</u>
Impairment of assets, net	<u>6,193</u>	<u>2,987</u>	9,180
Joint depreciation and amortization that are not allocated			<u>64</u>
			<u>9,244</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		
	2019	2018	2017
	NIS thousands		
Israel	279,963	271,222	264,519
Western Europe	263,982	262,068	242,271
Eastern Europe	20,956	22,132	20,484
	564,901	555,422	527,274

	Segment assets		Capital investment	
	December 31		December 31	
	2019	2018	2019	2018
NIS thousands				
Israel	277,876	230,242	4,526	4,393
Western Europe	92,895	110,956	1,920	4,105
Eastern Europe	9,674	10,912	490	200
	380,445	352,110	6,936	8,699