




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

June 8, 2023

To: Ludan Engineering Co. Ltd.

Re: Ludan Engineering Co. Ltd. (hereinafter – the company) Financial information as of December 31, 2022

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, 2022 and 2021 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, 2022 (hereinafter – the financial information), attached herewith and stamped by us for identification purposes, are included in the consolidated financial statements as of December 31, 2022 of Ludan Engineering Co. Ltd that were audited by us and approved and signed by the company on March 14, 2023.

Kind Regards,

Somekh Chaikin
Certified Public Accountants (Isr.)

Ludan Engineering Co., Ltd.

Consolidated statements of the Financial Statements as at December 31

	<u>Note</u>	<u>2022</u>	<u>2021</u>
<i>NIS thousands</i>			
Assets			
Current assets			
Cash and Cash equivalents		45,716	32,360
Restricted bank deposits	6	952	528
Trade & income receivables	A-7	180,174	161,586
Other receivables & debit balances	B-7	19,658	17,478
Current tax receivables	28	992	1,702
Inventory	8	22,959	27,030
Total current assets attributable to operating activities		270,451	240,684
Non-current assets held for sale	3	-	367
Total Current Assets		270,451	241,051
Non-Current Assets			
Trade receivables & loans to others	10	282	344
Excess assets over liabilities due to employee benefits		1,230	-
Fixed Assets	11	14,924	13,714
Reputation and Intangible Assets	12	33,167	29,244
Right-of-use assets	13	61,666	64,527
Other assets		550	416
Deferred tax	28	7,302	8,825
Total Non-Current Assets		119,121	117,070
Total Assets		389,572	358,121

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


Somekh Chaikin
FOR IDENTIFICATION PURPOSES ONLY
DATE: 08/06/2023

Ludan Engineering Co., Ltd.

Consolidated statements of the Financial Statements as at December 31

	Note	2022	2021
<i>NIS thousands</i>			
Liabilities and Equity			
Current liabilities			
Short-term bank credit and others	14	17,057	26,493
Short-term lease liabilities	13	16,922	16,840
Suppliers, Sub-contractors and Service Providers	15	59,332	67,846
Advances from customers		7,290	2,366
Other Payables & credit balances	16	84,131	82,264
PUT option to Minority Interest	5	3,995	6,363
Tax liabilities		2,389	1,754
Total current liabilities attributable to operating activities		191,116	203,926
Current liabilities attributable to discontinued operations	3	-	343
Total current liabilities		191,116	204,269
Non-current liabilities			
Long term loans to banks and others	14	5,266	7,170
Long-term lease liabilities	13	46,555	49,230
Non-current compensation liabilities	17	13,411	14,982
Deferred tax	27	1,569	396
Total non-current liabilities		66,801	71,778
Total liabilities		257,917	276,047
Equity			
	19		
Share Equity		12,936	12,936
Share Premium		28,439	28,439
Currency translation adjustments		(12,222)	(14,113)
Other hedges		8,136	(5,575)
Retained earnings		80,696	59,059
Total equity attributable to shareholders		117,985	80,746
Minority rights		13,670	1,328
Total Equity		131,655	82,074
Total Liabilities and Equity		389,572	358,121

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, 2023

Arnon Aharon,
CEO

Einat Vinograd
VP Finances



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DATE: 08/06/2023

Ludan Engineering Co., Ltd.

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

	Note	2022	2021	2020
			<i>NIS thousands</i>	
Income	21	575,966	513,740	531,675
Income Cost	22	508,251	461,094	473,017
Gross earnings		67,715	52,646	58,658
Sales and marketing expenses	A -23	2,937	2,841	3,244
Business development expenses		874	701	1,291
Administrative and general expenses	B - 23	22,978	22,919	21,861
Net operating earnings by Other Expenses		40,926	26,185	32,262
Other income (expenses), Net	24	575	1,799	(1,953)
Operating profit		41,501	27,984	30,309
Financing expenses	25	(4,031)	(4,614)	(5,228)
Financing income	25	1,123	596	86
Net Financing Expenses		(2,908)	(4,018)	(5,142)
Income before income taxes		38,593	23,966	25,167
Income tax expenses	27	9,590	5,987	7,465
Income from operating activities		29,003	17,979	17,702
Net Loss for discontinued operations	3	(141)	(1,675)	(2,405)
Net Profit		28,862	16,304	15,297
Net earnings from operating activities attributable to:				
Company owners		27,828	17,936	16,876
Minority interest		1,175	43	826
Net earnings from operating activities		29,003	17,979	17,702
Loss for discontinued activity attributed to:				
Shareholders		(125)	(1,640)	(2,355)
Minority rights		(16)	(35)	(50)
Loss for discontinued activity		(141)	(1,675)	(2,405)
Per-share P&L attributable to the Company's owner (in NIS):	28			
Per-share earnings from operating activities		2.41	1.56	1.46
Per-share deficit for discontinued activity		(0.01)	(0.14)	(0.20)

The attached Notes constitute an inseparable part of the Financial Statements



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DATE: 08/06/2023

Ludan Engineering Co., Ltd.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	<i>NIS thousands</i>		
Net Profit (Loss)	<u>28,862</u>	<u>16,304</u>	<u>15,297</u>
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	2,538	(4,063)	658
Classification of translation differentials to P&L regarding liquidated overseas operations	(547)	-	(755)
Items that will not be classified to P&L:			
Actuarial gain on defined benefit plans	<u>2,621</u>	<u>254</u>	<u>725</u>
Profit (Loss) for the year including Other, net of tax	<u>4,612</u>	<u>(3,809)</u>	<u>628</u>
Total Profit (Loss) for the year, net of tax	<u><u>33,474</u></u>	<u><u>12,495</u></u>	<u><u>15,925</u></u>
Attributed to:			
Shareholders	31,998	12,644	15,165
Minority interests	<u>1,476</u>	<u>(149)</u>	<u>760</u>
Total Profit (Loss) for the year	<u><u>33,474</u></u>	<u><u>12,495</u></u>	<u><u>15,925</u></u>

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

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DATE: 08/06/2023

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	Minority rights	Total Equity
Balance as at January 1, 2022	12,936	28,439	(14,113)	(5,575)	59,059	80,746	1,328	82,074
Transactions in 2022:								
Earnings for year	-	-	-	-	27,703	27,703	1,159	28,862
Total Other Profit (Loss) for the year	-	-	1,891	2,404	-	4,295	317	4,612
Total Profit (Loss) per year	-	-	1,891	2,404	27,703	31,998	1,476	33,474
Share issuing in subsidiary company to non-controlling interests in subsidiary companies	-	-	-	11,202	-	11,202	11,986	23,188
Dividend paid to PUT option holders and non-controlling interests in subsidiary companies	-	-	-	-	(304)	(304)	(1,471)	(1,775)
Dividend paid	-	-	-	-	(5,762)	(5,762)	-	(5,762)
Purchase of non-controlling rights	-	-	-	105	-	105	(205)	(100)
Exercise of foreign activity	-	-	-	-	-	-	556	556
Total Equity as at December 31, 2022	12,936	28,439	(12,222)	8,136	80,696	117,985	13,670	131,655

NIS thousands

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DATE: 08/06/2023

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	Translati on differentials fund	Other equity funds	Residuaries	Total equity attributable to the Company's owners			
Balance as at January 1, 2021	12,936	28,439	(10,207)	(5,829)	43,798	69,137	1,752	70,889	
Transactions in 2021:									
Earnings for year	-	-	-	-	16,296	16,296	8	16,304	
Total Other Profit (Loss) for the year	-	-	(3,906)	254	-	(3,652)	(157)	(3,809)	
Total Profit (Loss) per year	-	-	(3,906)	254	16,296	12,644	(149)	12,495	
Dividend paid	-	-	-	-	(1,139)	(1,139)	(275)	(1,414)	
Share-based payment	-	-	-	-	104	104	-	104	
Total Equity as at December 31, 2021	12,936	28,439	(14,113)	(5,575)	59,059	80,746	1,328	82,074	

The attached Notes constitute an inseparable part of the Financial Statements

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DATE: 08/06/2023

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

	Total equity attributable to the Company's owners							
	Share Equity	Premium On shares	Translation differential fund	Other equity funds	Residuaries	Total equity attributable to the Company's owners	Minority rights	Total Equity
Balance as at January 1, 2020	12,936	28,439	(10,126)	(6,554)	36,736	61,431	1,329	62,760
Transactions in 2020:								
Earnings for year	-	-	-	-	14,521	14,521	776	15,297
Total Other Profit (Loss) for the year	-	-	(81)	725	-	644	(16)	628
Total Profit (Loss) per year	-	-	(81)	725	14,521	15,165	760	15,925
Declared dividend	-	-	-	-	(5,762)	(5,762)	-	(5,762)
Dividend paid	-	-	-	-	(1,493)	(1,493)	(337)	(1,830)
Share-based payment	-	-	-	-	(204)	(204)	-	(204)
Total Equity as at December 31, 2020	12,936	28,439	(10,207)	(5,829)	43,798	69,137	1,752	70,889

The attached Notes constitute an inseparable part of the Financial Statements



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DATE: 08/06/2023

Ludan Engineering Co. Ltd.
Cash flow statements

FOR IDENTIFICATION PURPOSES ONLY

DATE: 08/06/2023

	2022	2021	2020
	<i>NIS thousands</i>		
Cash flows from operating activities			
Net cash derived from current activities before financing and taxes (Appendix A)	48,591	56,939	82,245
Interest paid	(3,862)	(2,441)	(2,884)
Interest received	166	7	86
Income Tax paid	(7,904)	(6,914)	(7,323)
Income Tax refund	166	257	1,577
Net cash derived from operating activities	37,157	47,848	73,701
Net cash used for discontinued operations	(118)	196	(585)
Net cash derived from operating activities	37,039	48,044	73,116
Cash flows from investment activities:			
Sale of subsidiary	-	-	(12)
Net withdrawal (deposit) of designated deposits in banks	(386)	476	24
Proceeds from sale of fixed assets	287	27	-
Purchase of Fixed Assets	(4,522)	(3,826)	(3,311)
Purchase of Intangible Assets	(1,349)	(4,678)	(5,309)
Purchase of subsidiary company, after deduction of cash purchased (**)	(5,917)	-	-
Net cash used for investment activities	(11,887)	(8,001)	(8,608)
Cash flows from financing activities:			
Long-term loans from banking corporations and other credit providers	229	-	10,000
Purchase of non-controlling rights	(100)	-	-
Repayment of long-term loans from banking corporations and other credit providers	(2,757)	(3,999)	(5,219)
Repayment of the principal component of the lease liability	(19,102)	(23,444)	(26,667)
Repayment of debenture fund	-	(11,115)	(11,110)
Consideration from share issue and option to purchase shares in subsidiary company for non-controlling interests (*)	25,000	-	-
Dividend paid to PUT option holders and non-controlling interests in subsidiary companies	(1,775)	(1,414)	(1,830)
Dividend paid	(5,762)	(5,762)	-
Net Increase (Decrease) in short-term credit from banking corporations	(9,233)	2,608	(15,940)
Net cash used for ongoing financing activity	(13,500)	(43,126)	(50,766)
Translation differentials for oversea units	1,704	(1,500)	232
Increase (Decrease) in Cash and Cash Value	13,356	(4,583)	13,974
Cash and cash value for the beginning of the year	32,360	36,943	22,969
Cash and cash value for the end of the year	45,716	32,360	36,943

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>2022</u>	<u>2021</u>	<u>2020</u>
	<i>NIS thousands</i>		
Income for the period from ongoing operations	29,003	17,979	17,702
Income (Expenses) not involving cash flows:			
Depreciation and amortization	26,996	29,272	32,055
Net depreciation due to impairment of assets, revaluation of PUT option value and revaluation of option to employees	(546)	(2,255)	1,953
Share-based payment cost	-	104	-
Income Taxes	9,590	5,987	7,465
Loss from disposal of foreign operation	9	-	-
Net income from realization of Fixed Assets	(29)	(11)	-
Net Increase (Decrease) of liability in respect of employee benefits	712	705	2,102
Net financing expenses	<u>2,908</u>	<u>3,997</u>	<u>4,797</u>
	<u>68,643</u>	<u>55,778</u>	<u>66,074</u>
Changes in property and liability sections:			
Decrease (Increase) of Trade & Receivables	(12,297)	(11,838)	31,360
Decrease (Increase) in Accounts Receivable and Debit Balances	(1,993)	(5,111)	(1,544)
Decrease (increase) in inventory	4,071	(9,717)	(1,664)
Increase (Decrease) in Vendors and Service Providers	(9,696)	20,148	(4,666)
Increase (Decrease) in Advance Payments from Customers	4,635	(1,984)	(4,853)
Increase (Decrease) in Accounts Payable and Credit Balances	(2,950)	14,264	(2,841)
Changes in liability in respect of PUT option	(1,822)	(4,601)	379
	<u>(20,052)</u>	<u>1,161</u>	<u>16,171</u>
Net cash derived from current activities before financing and taxes	<u>48,591</u>	<u>56,939</u>	<u>82,245</u>
Attachment B – Non-cash operating activities			
Recognition of right-of-use assets against lease liability	<u>15,413</u>	<u>21,236</u>	<u>10,212</u>

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

Ludan Engineering Co. Ltd.
Notes to 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

	<u>For the year ending on December 31, 2022</u>			
	<u>Engineering Segment</u>	<u>Software and Control Segment</u>	<u>Cancellations</u>	<u>Total</u>
	<i>NIS thousands</i>			
Revenues from external customers, Israeli companies	186,828	169,421	-	356,249
Revenues from external customers, oversea companies	219,717	-	-	219,717
Between segments	7,888	887	(8,775)	-
	<u>414,433</u>	<u>170,308</u>	<u>(8,775)</u>	<u>575,966</u>
Segment results in Israel	18,267	14,463	(22)	32,708
Segment results abroad	8,218	-	-	8,218
Total segment results	<u>26,485</u>	<u>14,463</u>	<u>(22)</u>	<u>40,926</u>
Other net expenses	<u>575</u>	<u>-</u>	<u>-</u>	<u>575</u>
Net non-allocated financing expenses				(2,908)
Taxes on Income				(9,590)
Loss for discontinued operation				(141)
Net profit				<u>28,862</u>

	<u>For the year ending on December 31, 2021</u>			
	<u>Engineering Segment</u>	<u>Software and Control Segment</u>	<u>Cancellations</u>	<u>Total</u>
	<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				(1,675)
Net profit				<u>16,304</u>

Ludan Engineering Co. Ltd.
Notes to Financial Statements

Note 30 – Segment Statement – Continued

	For the year ending on December 31, 2020			
	Engineering Segment	Software and Control Segment	Cancellat ions	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				(2,405)
Net profit				<u>15,297</u>

	As at December 31, 2022		
	Engineeri ng Segment	Software and Control Segment	Total
	<i>NIS thousands</i>		
Segment assets	<u>201,687</u>	<u>184,837</u>	386,524
Joint unallocated assets			3,048
Total consolidated assets			<u>389,572</u>
Segment liabilities	<u>150,889</u>	<u>105,110</u>	255,999
Joint unallocated liabilities			1,918
Total consolidated liabilities			<u>257,917</u>
Equity investments	<u>10,966</u>	<u>1,959</u>	12,925
Joint unallocated Equity investments			-
			<u>12,925</u>
Sale of investments and investment returns	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation and amortization	<u>17,366</u>	<u>9,629</u>	<u>26,995</u>

Ludan Engineering Co. Ltd.
Notes to Financial Statements

Note 30 – Segment Statement – Continued

	As at December 31, 2021		
	Engineeri ng Segment	Software and Control Segment	Total
	<i>NIS thousands</i>		
Segment assets	155,141	199,498	354,639
Joint unallocated assets			3,482
Total consolidated assets			358,121
Segment liabilities	126,875	146,874	273,749
Joint unallocated liabilities			2,298
Total consolidated liabilities			276,047
Equity investments	3,452	5,052	8,504
Joint unallocated Equity investments			-
			8,504
Sale of investments and investment returns	-	-	-
Depreciation and amortization	19,820	9,452	29,272

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>	<u>-</u>
Depreciation and amortization	<u>24,695</u>	<u>7,360</u>	<u>32,055</u>
Unallocated depreciation and amortization			

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		
	2022	2021	2020
	<i>NIS thousands</i>		
Israel	355,890	298,307	259,823
Western Europe	210,868	200,960	251,942
Eastern Europe	9,208	14,473	19,910
	575,966	513,740	531,675

	Segment assets		Equity investments	
	As at December 31		As at December 31	
	2022	2021	2022	2021
	<i>NIS thousands</i>		<i>NIS thousands</i>	
Israel	286,035	266,801	9,994	6,625
Western Europe	95,314	82,961	2,635	1,690
Eastern Europe	8,223	8,359	296	189
	389,572	358,121	12,925	8,504