



Somekh Chaikin
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July 8, 2024

To: Ludan Engineering Co. Ltd.

Re: Ludan Engineering Co. Ltd. (hereinafter – the company) Financial information as of December 31, 2023

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, 2023 and 2022 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, 2023 (hereinafter – the financial information), attached here with and stamped by us for identification purposes, are included in the consolidated financial statements as of December 31, 2023 of Ludan Engineering Co. Ltd that were audited by us and approved and signed by the company on March 26, 2024.

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>2023</u>	<u>2022</u>
<i>NIS thousands</i>			
Assets			
Current assets			
Cash and Cash equivalents		36,461	45,716
Restricted bank deposits	6	755	952
Trade & income receivables	A-7	206,715	180,174
Other receivables & debit balances	B-7	27,824	19,658
Current tax receivables	28	2,150	992
Inventory	8	28,104	22,959
Total Current Assets		<u>302,009</u>	<u>270,451</u>
Non-Current Assets			
Trade receivables & loans to others	10	220	282
Excess assets over liabilities due to employee benefits		2,612	1,230
Fixed Assets	11	14,845	14,924
Reputation and Intangible Assets	12	46,060	33,167
Right-of-use assets	13	60,419	61,666
Other assets		1,794	550
Deferred tax	28	5,693	7,302
Total Non-Current Assets		<u>131,643</u>	<u>119,121</u>
Total Assets		<u>433,652</u>	<u>389,572</u>

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


 סומך חייקין
 סימון לערכי זיהווי בלבד
 תאריך: 8/7/24

Ludan Engineering Co., Ltd.
Consolidated statements of the Financial Statements as at December 31

	Note	2023	2022
<i>NIS thousands</i>			
Liabilities and Equity			
Current liabilities			
Short-term bank credit and others	14	21,955	17,057
Short-term lease liabilities	13	14,581	16,922
Suppliers, Sub-contractors and Service Providers	15	53,737	59,332
Advances from customers		2,023	7,290
Other Payables & credit balances	16	114,523	84,131
PUT option on equity instruments	5	2,895	3,995
Tax liabilities		2,057	2,389
Total current liabilities		211,771	191,116
Non-current liabilities			
Long term loans to banks and others	14	9,749	5,266
Long-term lease liabilities	13	48,122	46,555
PUT option on equity instruments		6,288	-
Other payables		252	-
Non-current compensation liabilities	17	13,045	13,411
Deferred tax	27	2,105	1,569
Total non-current liabilities		79,561	66,801
Total liabilities		291,332	257,917
Equity			
	19		
Share Equity		12,936	12,936
Share Premium		28,439	28,439
Currency translation adjustments		(10,191)	(12,222)
Other hedges		9,868	8,136
Retained earnings		87,667	80,696
Total equity attributable to shareholders		128,719	117,985
Non-controlling interests		13,601	13,670
Total Equity		142,320	131,655
Total Liabilities and Equity		433,652	389,572

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

Izake Lotan
Chairman of the Board of Directors
Financial Statements approval date: March 26, 2024

Arnon Aharon,
CEO

Einat Vinograd
VP Finances

Ludan Engineering Co., Ltd.

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

	Note	2023	2022	2021
		<i>NIS thousands</i>		
Income	21	625,485	575,966	513,740
Income Cost	22	558,677	508,251	461,094
Gross earnings		66,808	67,715	52,646
Sales and marketing expenses	A -23	4,280	2,937	2,841
Business development expenses		1,008	874	701
Administrative and general expenses	B - 23	24,042	22,978	22,919
Net operating earnings by Other Expenses		37,478	40,926	26,185
Other income (expenses), Net	24	2,887	575	1,799
Operating profit		40,365	41,501	27,984
Financing expenses	25	(6,096)	(4,031)	(4,614)
Financing income	25	2,057	1,123	596
Net Financing Expenses		(4,039)	(2,908)	(4,018)
Income before income taxes		36,326	38,593	23,966
Income tax expenses	27	6,991	9,590	5,987
Income from operating activities		29,335	29,003	17,979
Net Loss for discontinued operations	3	-	(141)	(1,675)
Net Profit		29,335	28,862	16,304
Net earnings from operating activities attributable to:				
Owners of the Company		27,476	27,828	17,936
Non-controlling interests		1,859	1,175	43
Net earnings from operating activities		29,335	29,003	17,979
Loss for discontinued activity attributed to:				
Owners of the Company		-	(125)	(1,640)
Non-controlling interests		-	(16)	(35)
Loss for discontinued activity		-	(141)	(1,675)
Per-share P&L attributable to the Company's owner (in NIS):	28			
Per-share earnings from operating activities		2.38	2.41	1.56
Per-share deficit for discontinued activity		-	(0.01)	(0.14)

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

Ludan Engineering Co., Ltd.

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

	2023	2022	2021
		<i>NIS thousands</i>	
Net Profit (Loss)	29,335	28,862	16,304
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	2,138	2,538	(4,063)
Classification of translation differentials to P&L regarding liquidated overseas operations	-	(547)	-
Items that will not be classified to P&L:			
Actuarial gain on defined benefit plans	1,816	2,621	254
Profit (Loss) for the year including Other, net of tax	3,954	4,612	(3,809)
Total Profit for the year, net of tax	33,289	33,474	12,495
Attributed to:			
Owners of the Company	29,335	31,998	12,644
Non-controlling interests	3,954	1,476	(149)
Total Profit for the year	33,289	33,474	12,495

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

Ludan Engineering Co., Ltd.

Consolidated Statement on Equity Changes

	Total equity attributable to the Company's owners						Total equity attributable to the Company's owners	Non-controlling interests	Total Equity
	Share Equity	Premium On shares	Translati on differenti als fund	Other equity funds	Retained earnings	Company's owners			
Balance as at January 1, 2023	12,936	28,439	(12,222)	8,136	80,696	117,985	13,670	131,655	
Transactions in 2023:									
Earnings for year	-	-	-	-	27,476	27,476	1,859	29,335	
Total Other Profit (Loss) for the year	-	-	2,031	1,732	-	3,763	191	3,954	
Total Profit (Loss) per year	-	-	2,031	1,732	27,476	31,239	2,050	33,289	
Dividend paid to PUT option holders and non-controlling interests in subsidiaries	-	-	-	-	(336)	(336)	(1,157)	(1,493)	
Dividend paid	-	-	-	-	(11,525)	(11,525)	-	(11,525)	
Dividends to shareholders and non-controlling interests in subsidiaries	-	-	-	-	(8,644)	(8,644)	(962)	(9,606)	
Total Equity as at December 31, 2023	12,936	28,439	(10,191)	9,868	87,667	128,719	13,601	142,320	

NIS thousands


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 8.17.24 תאריך

Ludan Engineering Co., Ltd.

Consolidated Statement on Equity Changes

	Total equity attributable to the Company's owners						Total Equity	
	Share Equity	Premium On shares	Translati on differentials fund	Other equity funds	Retained earnings	Total equity attributable to the Company's owners		Non-controlling interests
	<i>NIS thousands</i>							
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 forign 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


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

	Total equity attributable to the Company's owners						Total equity	
	Share Equity	Premium On shares	Translati on differenti als fund	Other equity funds	Retained earnings	Total equity attributable to the Company's owners		Non- controlling interests
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 to PUT option holders and non-controlling interests in subsidiary companies	-	-	-	-	(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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סימון לצרכי זיהוי בלבד
תאריך: 8/7/24
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Ludan Engineering Co. Ltd.
Cash flow statements

	2023	2022	2021
	<i>NIS thousands</i>		
Cash flows from operating activities			
Net cash derived from current activities before financing and taxes (Appendix A)	40,455	48,591	56,939
Interest paid	(5,595)	(3,862)	(2,441)
Interest received	566	166	7
Income Tax paid	(9,727)	(7,904)	(6,914)
Income Tax refund	412	166	257
Net cash derived from operating activities	26,111	37,157	47,848
Net cash used for discontinued operations	-	(118)	196
Net cash derived from operating activities	26,111	37,039	48,044
Cash flows from investment activities:			
Sale of subsidiary		-	-
Net withdrawal (deposit) of designated deposits in banks	242	(386)	476
Proceeds from sale of fixed assets	30	287	27
Purchase of Fixed Assets	(3,211)	(4,522)	(3,826)
Purchase of Intangible Assets	(2,121)	(1,349)	(4,678)
Purchase of subsidiary company, after deduction of cash purchased (**)	(8,011)	(5,917)	-
Net cash used for investment activities	(13,071)	(11,887)	(8,001)
Cash flows from financing activities:			
Long-term loans from banking corporations and other credit providers	7,600	229	-
Purchase of non-controlling rights	-	(100)	-
Repayment of long-term loans from banking corporations and other credit providers	(2,186)	(2,757)	(3,999)
Repayment of the principal component of the lease liability	(19,345)	(19,102)	(23,444)
Repayment of debenture fund	-	-	(11,115)
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	(1,493)	(1,775)	(1,414)
Dividend paid	(11,524)	(5,762)	(5,762)
Net Increase (Decrease) in short-term credit from banking corporations	3,561	(9,233)	2,608
Net cash used for ongoing financing activity	(23,387)	(13,500)	(43,126)
Translation differentials for oversea units	1,092	1,704	(1,500)
Increase (Decrease) in Cash and Cash Value	(9,255)	13,356	(4,583)
Cash and cash value for the beginning of the year	45,716	32,360	36,943
Cash and cash value for the end of the year	36,461	45,716	32,360

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>2023</u>	<u>2022</u>	<u>2021</u>
	<i>NIS thousands</i>		
Income for the period from ongoing operations	29,335	29,003	17,979
Income (Expenses) not involving cash flows:			
Depreciation and amortization	28,775	26,996	29,272
Net depreciation due to impairment of assets, revaluation of PUT option value and revaluation of option to employees	(1,100)	(546)	(2,255)
Share-based payment cost	-	-	104
Income Taxes	6,991	9,590	5,987
הפסד ממימוש פעילות חוץ	-	9	-
Net income from realization of Fixed Assets	(834)	(29)	(11)
Net Increase (Decrease) of liability in respect of employee benefits	612	712	705
Net financing expenses	4,039	2,908	3,997
	67,818	68,643	55,778
Changes in property and liability sections:			
Decrease (Increase) of Trade & Receivables	(12,380)	(12,297)	(11,838)
Decrease (Increase) in Accounts Receivable and Debit Balances	(7,804)	(1,993)	(5,111)
Decrease (increase) in inventory	(5,145)	4,071	(9,717)
Increase (Decrease) in Vendors and Service Providers	(7,519)	(9,696)	20,148
Increase (Decrease) in Advance Payments from Customers	(5,581)	4,635	(1,984)
Increase (Decrease) in Accounts Payable and Credit Balances	11,066	(2,950)	14,264
Changes in liability in respect of PUT option	-	(1,822)	(4,601)
	(27,363)	(20,052)	1,161
Net cash derived from current activities before financing and taxes	40,455	48,591	56,939
Attachment B – Non-cash operating activities			
Recognition of right-of-use assets against lease liability	17,258	15,413	21,236

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

	For the year ending on December 31, 2023			
	Engineering Segment	Software and Control Segment	Cancellati ons	Total
	<i>NIS thousands</i>			
Revenues from external customers, Israeli companies	181,319	174,335	-	355,654
Revenues from external customers, oversea companies	269,831	-	-	269,831
Between segments	7,908	331	(8,239)	-
	<u>459,058</u>	<u>174,666</u>	<u>(8,239)</u>	<u>625,485</u>
Segment results in Israel	12,416	15,474	24	27,914
Segment results abroad	9,564	-	-	9,564
Total segment results	<u>21,980</u>	<u>15,474</u>	<u>24</u>	<u>37,478</u>
Other net expenses	<u>2,831</u>	<u>56</u>	<u>-</u>	<u>2,887</u>
Net non-allocated financing expenses				(4,039)
Taxes on Income				(6,991)
Net profit				<u>29,335</u>

	For the year ending on December 31, 2022			
	Engineering Segment	Software and Control Segment	Cancellati ons	Total
	<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>

Ludan Engineering Co. Ltd.
Notes to Financial Statements

Note 30 – Segment Statement – Continued

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

	As at December 31, 2023		Total
	Engineering Segment	Software and Control Segment	
	<i>NIS thousands</i>		
Segment assets	<u>231,096</u>	<u>199,411</u>	<u>430,507</u>
Joint unallocated assets			<u>3,145</u>
Total consolidated assets			<u>433,652</u>
Segment liabilities	<u>166,103</u>	<u>114,618</u>	<u>280,721</u>
Joint unallocated liabilities			<u>10,611</u>
Total consolidated liabilities			<u>291,332</u>
Equity investments	<u>20,803</u>	<u>2,871</u>	<u>23,674</u>
Depreciation and amortization	<u>19,061</u>	<u>9,714</u>	<u>28,775</u>

Ludan Engineering Co. Ltd.
Notes to Financial Statements

Note 30 – Segment Statement – Continued

	<u>As at December 31, 2022</u>		
	<u>Engineeri</u> <u>ng</u> <u>Segment</u>	<u>Software</u> <u>and</u> <u>Control</u> <u>Segment</u>	<u>Total</u>
	<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>	<u>12,925</u>
Depreciation and amortization	<u>17,366</u>	<u>9,629</u>	<u>26,995</u>

As at December 31, 2021

Ludan Engineering Co. Ltd.
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	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
Depreciation and amortization	19,820	9,452	29,272

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		
	2023	2022	2021
	<i>NIS thousands</i>		
Israel	354,339	355,890	298,307
Western Europe	251,308	210,868	200,960
Eastern Europe	19,838	9,208	14,473
	625,485	575,966	513,740

	Segment assets		Equity investments	
	As at December 31		As at December 31	
	2023	2022	2023	2022
	<i>NIS thousands</i>		<i>NIS thousands</i>	
Israel	321,232	286,035	22,195	9,994
Western Europe	103,881	95,314	1,072	2,635
Eastern Europe	8,539	8,223	407	296
	433,652	389,572	23,674	12,925