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Business Overview  
Ludan Group 2011



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1 Profile /  
Overview



# 1. Profile / Overview

## 1.1 General introduction

The Ludan Group is listed at the Tel Aviv Stock exchange since 1997 (LUDN-Tel Aviv). Ludan Group is a provider of integrated project solutions, offering clients the full package of management, engineering, procurement and construction activities. The Ludan Group is active in many fields. Special know-how has been built up for the Process, Energy and Environmental business sectors.

The Ludan Group strongly believes that successful corporation can be achieved based on global experience and local approach.

The management teams of the different branches are close to the business and represent the GROUP identity.

### *Culture values*

The objective of the management team is sharing culture values. Those values are adapted by the companies they represent. In this way the companies are really connected not only by IT and infrastructure but with common ideas shared between each other how to implement new business ideas and ways to develop internal programs for competence management.

### *Management team Ludan Group*

- Yehuda Sarid – Joint C.E.O.
- Arnon Aharon – Joint C.E.O.
- Lilach Rozin – C.F.O.
- Shaul Sitton – Vice President Business Development
- Avi Lieber – C.E.O. of LudanTech Ltd
- Yehuda Drucker – C.E.O. of Ludan Environmental Technologies Ltd.
- Meshulam Granot – C.E.O. of Ludan Infrastructures and Construction Ltd.
- Dmitri Militescu – C.E.O. of Ludan Engineering srl & Regional Manager of Eastern Europe
- Frans Jansen – C.E.O. of KH Engineering bv/ Ludan Renewable Energy bv & Regional Manager of Western Europe
- Jan Morang – C.E.O. of KH International Projects bv

## 1.2 Group Highlights 2011

The Ludan Group continued to reach its target turnover and profit in 2011, although the market still has been suffering from the aftershock of the recent financial and economic crisis.

In consistent with the Group's long term strategies for its sustainable development, Ludan Group stretched its efforts to develop the renewable energy market by Ludan Renewable Energy (LRE) which is actively present in the bio-markets such as biogas in the Netherlands and Spain.

## 1.3 Group value statement - Global experience, Local approach

**In all our communications we present the drive by our Group philosophy and try to bring the best of it to the market place. In all our business sectors there is an open and warm attitude and strong focus to reach common interests.**

As Arnon Aharon stated on different occasions "by bringing business together", this philosophy is still valid and stands our ideas today in daily operations:

"... Working together, we can bring value added solutions (both technically and economically) to our clients. Local presence enables us to be close to our clients, not only geographically, but also in spirit and understanding..."

The corporate logo reflects our leading business colors to the market.

The motion stands for dynamic solutions implemented in business execution.

In conclusion:

Commitments in projects and building up new business can only be achieved by clear understanding and awareness of identities and competences.



## 1.4 Group objectives, mission & strategy

The Ludan Group is developing in several directions to stabilize operations by capturing a broad business portfolio. Group Business development has a strong focus on partnering in projects and setting up new geographical corporations.

One of the directions is to be a partner in investments and to keep a shareholder value in the operations of such an investment. Leading strategy is that one of the Group companies will keep benefits or interest for the longer term e.g.: environmental, or supply of EPC services or the start of a new branch.

Upcoming markets like Gas transportation and storage or Biomass to green gas will positively affect our future business.

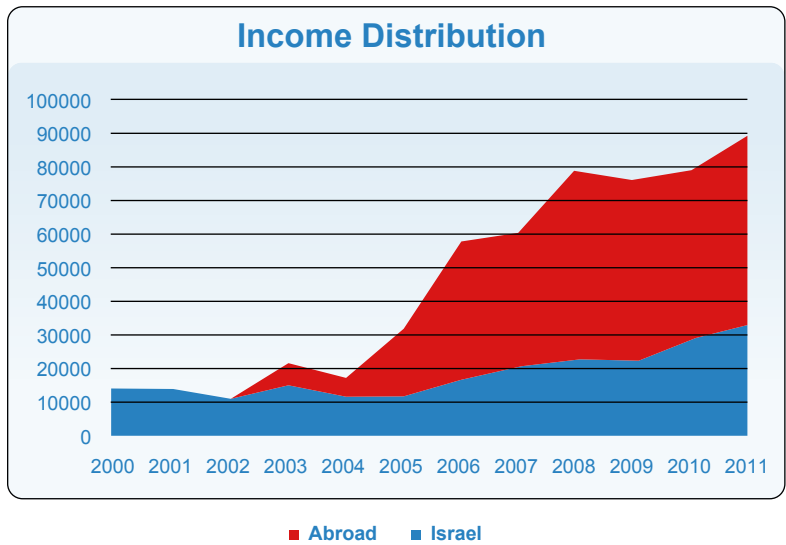
## 1.5 Selected financial highlights

### 1.5 a) Development of financial results 2009 - 2011 in EUR thsd.

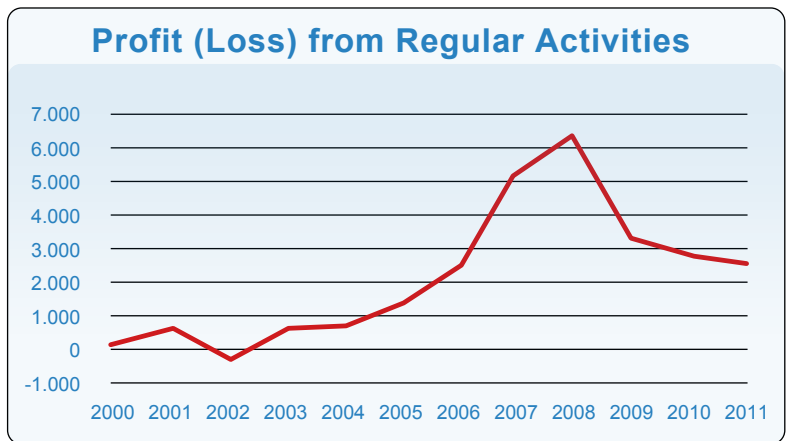
	2009	2010	2011
Current assets:	36.800	36.382	37.038
Investments and long-term receivables	1.283*	1.632	2.086
Fixed assets:	3.474*	4.775	4.022
Intangible assets after amortization	5.270	5.260	4.494
<b>Total assets</b>	<b>46.827</b>	<b>48.049</b>	<b>47.640</b>
Current liabilities	24.462	23.493	22.602
Long-term liabilities	6.985	7.225	8.603
Minority interest	3.144	3.649	2.767
Shareholders' equity	12.236	13.682	13.668
<b>Total liabilities and shareholder's equity</b>	<b>46.827</b>	<b>48.049</b>	<b>47.640</b>
<b>in EUR (thsd)</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Sales	75.962	79.015	89.726
Gross Profit	12.110	10.943	11.307
Operating earnings	3.307	2.797	2.581
Earnings before income tax	2.840	2.120	2.195
Earnings after income tax	1.788	1.520	1.713

\* Reclassified

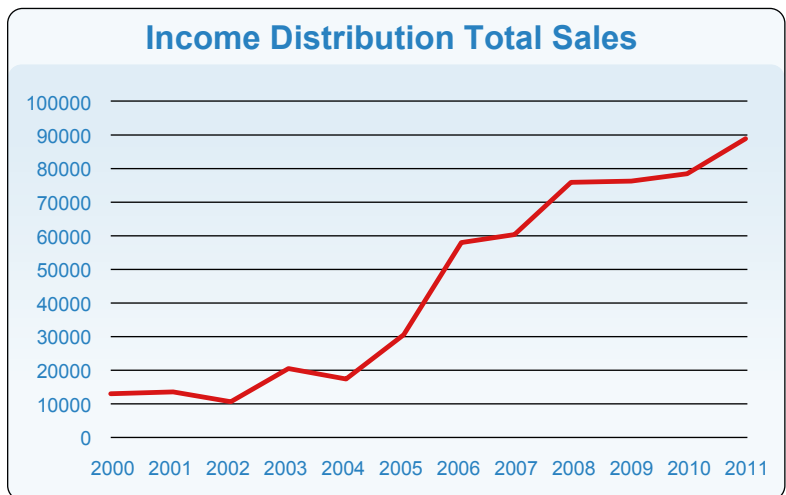
**1.5 b) Income distribution Israel – Abroad**



**1.5 c) Profit from Regular Activities**



**1.5 d) Sales**



## 1.5 e) Financial Statements 2009-2011

### Consolidated Balance Sheet (in '1000 EUR)

	2009	2010	2011
<b>Assets</b>	<b>46.827</b>	<b>48.049</b>	<b>47.640</b>
<b>Current assets:</b>	<b>36.800</b>	<b>36.382</b>	<b>37.038</b>
Cash and cash equivalents	10.363	3.360	5.670
Restricted bank deposits	1.238	359	4.621
Financial asset at fair value	2.577	1.047	364
Income receivables	17.816	26.251	22.473
Other receivables	4.354*	4.878	3.445
Inventory	452	487	465
<b>Non-current assets:</b>	<b>10.027</b>	<b>11.667</b>	<b>10.602</b>
Investments in affiliates	309	211	583
Others investments and receivables	512*	828	561
Fixed assets (after amortization)	3.474*	4.774	4.023
Intangible assets (after amortization)	5.270	5.260	4.494
Other assets	115*	173	177
Deferred tax	347	421	764
<b>Liabilities and shareholder's equity</b>	<b>46.827</b>	<b>48.049</b>	<b>47.640</b>
<b>Current liabilities:</b>	<b>24.462</b>	<b>23.493</b>	<b>22.602</b>
Short term bank credit	338	2.173	1.423
Current maturities of long-term debt	1.289	1.463	1.480
Suppliers and Sub-contractors	7.894	5.994	6.672
Other Payables and credit balances	9.394	7.686	10.036
Advances from customers	3.885	5.995	2.689
Tax liabilities	187	147	302
Other	1.475	35	-
<b>Long Term liabilities:</b>	<b>6.985</b>	<b>7.225</b>	<b>8.603</b>
Bonds	2.372	1.463	-
Long term banks loans	1.466	2.241	5.625
Deferred tax	1.365	1.224	552
Non-current compensation liabilities	1.782	2.297	2.426
<b>Minority interest</b>	<b>3.144</b>	<b>3.649</b>	<b>2.767</b>
<b>Shareholders equity</b>	<b>12.236</b>	<b>13.682</b>	<b>13.668</b>

\*Restatement

## Consolidated Statements of Income (in '1000 EUR)

	2009	2010	2011
Income	75.962	79.015	89.726
Cost of income	63.852	68.072	78.419
<b>Gross Profit</b>	<b>12.110</b>	<b>10.943</b>	<b>11.307</b>
Administrative and general expenses	8.396	8.146	8.726
<b>Operating earnings before other income</b>	<b>3.714</b>	<b>2.797</b>	<b>2.581</b>
Other income (expenses), net	(407)	-	-
<b>Operating earnings</b>	<b>3.307</b>	<b>2.797</b>	<b>2.581</b>
Financial income (expenses), net	(274)	(385)	(416)
Affiliate companies profit (loss)	(193)	(292)	30
<b>Earnings before income tax</b>	<b>2.840</b>	<b>2.120</b>	<b>2.195</b>
Income tax	(1.052)	(600)	(483)
<b>Earnings after income tax</b>	<b>1.788</b>	<b>1.520</b>	<b>1.713</b>

### 1.6 Brief overview of group activities and prospective outlook

Ending of year 2011 shows a lot of new worldwide developments started with the “crisis recovery” on financial markets. This will effect investments and the growth of different markets. The flexibility of the Group companies anticipating this environment shows already new developments in other business areas and regions. Per region the market developments are different and per Group, the strategy has been adjusted for keeping our “local approach” beneficial in other markets.

On the longer term the Group will stay confident that industries will recover their production levels and that the supply chain will change close to the consumers in the regions we are active. Upstream markets and related energy market will take an important role for our Group of Companies.

# 2 Global experience, local approach



# 2. Global experience, local approach

Ludan group business profile is strongly driven and developed by the group strategy due to the fact that companies are working in the same sectors within their own local market places.

## 2.1 External

Mutual projects development & implementation by different group companies:

- Technology (Lextran, KH and Ludan). Ludan is a shareholder of Lextran technology. First's Lextran commercial installation is being commissioning in China.
- Environmental (Ludan Environmental). Ludan Environmental performing a large contract in Romania for the same client served by Ludan Engineering locally and KH Process Engineering SRL.
- Geographically (KH and Ludan). After market observations in Romania, Ludan Group decided to establish KH Process Engineering SRL. This provides international clients with a broader package of services. Working together, KH Engineering delivers design EPC and LSTK projects in Romania with a large refinery client.
- Outsourcing / Offshore (KH and Partner). For a Dutch client of KH Engineering, a partnership with an Asian detail engineering partner has been established. Other group members studied the same route for outsourcing packages.
- Process Control (Ludan Tech and Ludan SRL). Ludantech started up in Romania / Bulgaria for delivering full packages of Control Automation /Plant Automation including software supply.
- Renewable energy (LRE bv and LRE sl) developing and implementing biogas projects in Spain and the Netherlands.

## 2.2 Internal

The Group operational management program has been developed for the following topics: Cultures, Competence management, 3D development / Tool Alignments, Marketing methodologies, IT synchronization, Training.

# 3 Merge & Acquisition

# 3



# 3. Merge & Acquisition

## 3.1 Philosophy

### 3.1.1 Objectives

The external growth will be based on the following objectives:

New acquisitions - search for new acquisition on a continuous basis.

New acquisition should comply with the strategic preconditions and goals.

Such preconditions will refer to synergism to group activities and geographical location.

### 3.1.2 Structure

Preferred acquisition structure will be based on partnership between Ludan Group, existing share holder or joining partner.

### 3.1.3 Support by Group Companies

The preferred alternative for a new operation is by the local entity, having its own management structure. The external growth will be based on the following internal strengths:

- (a) Group management level and local essential positions
- (b) Financial capability backed by external sources
- (c) Know how and past experience

### 3.1.4 New markets

Entering new markets by establishing local presence: Added value will be provided by the group's global experience with local approach. Entering a new market will be preferably based on a local existing entity. This challenge will target:

- (a) New services
  - Complementary services to the EPCM (validation, safety and others)
  - Developing new services (maintenance & operation)
- (b) New clients



## 3.2 Geographical

Expansion to new locations is divided in two periods of time:

### 3.2.1 Short term

The preferred location is Europe for the following reasons:

- (a) Fast growth in Eastern Europe.
- (b) European countries as part of a merging market - EU.
- (c) Similar culture.
- (d) Distance and time zone.
- (e) Significant industrial share in the economy.

### 3.2.2 Long term - other continents

- (a) Emerging markets: countries with high level of regulations.
- (b) Long term expected growth.
- (c) Commitment to environmental regulations.
- (d) Regional leaderships.

## 3.3 Technological

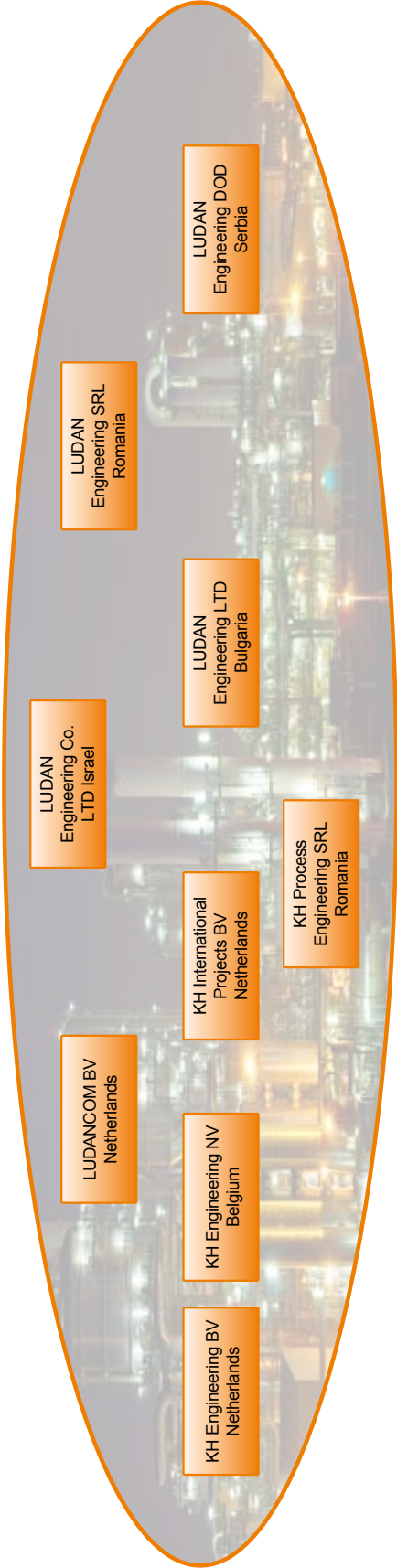
The Group will add products to its portfolio in the three technological sectors:

- (a) Software & process control.
- (b) Environmental.
- (c) Energy & renewable energy.

Access to additional potential technologies by:

- (a) Acquisition of new technologies.
- (b) Exclusive geographical representative rights delegated by international proven technologies' suppliers.
- (c) Investing in new technologies at various stages of development.

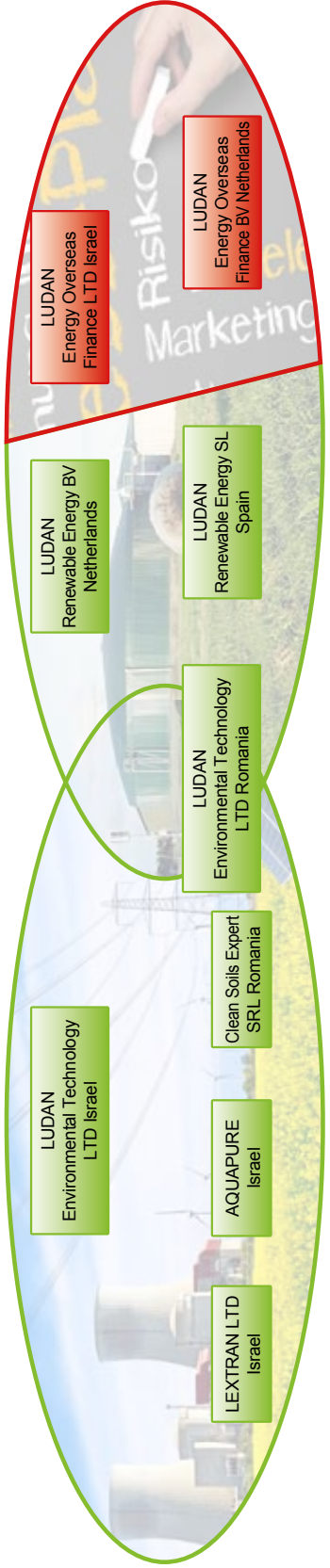
## Project Implementation



## Plant Management Information Systems



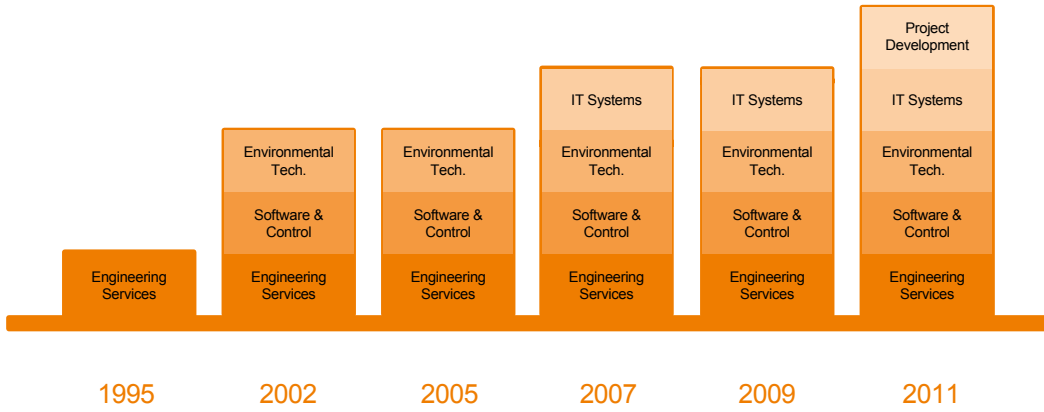
## Environmental Solutions



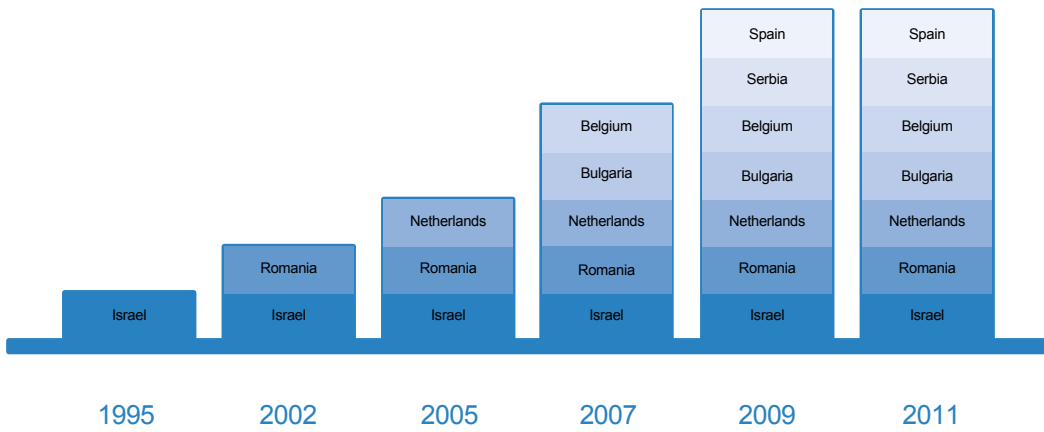
## Renewable Energy/Financing



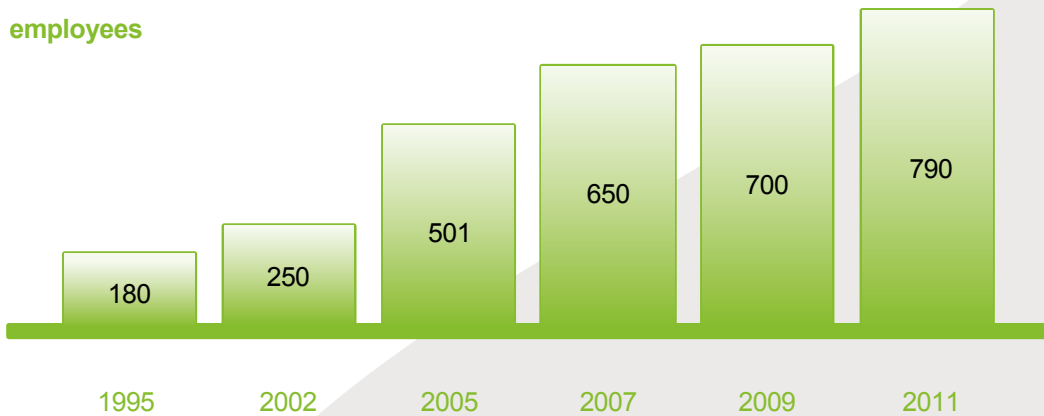
## activity sectors



## zones



## employees

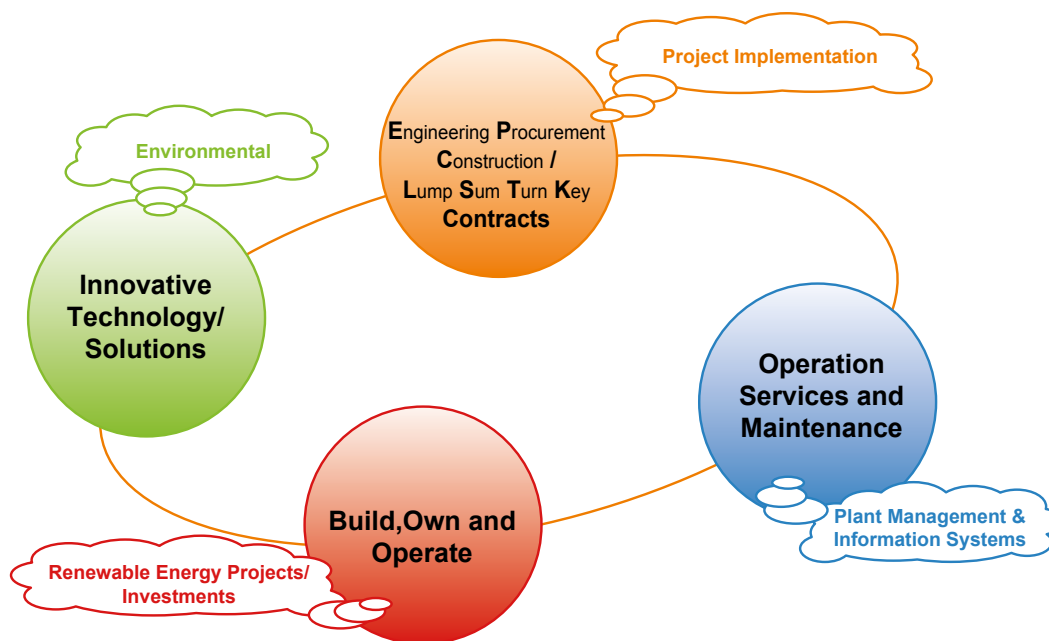




# 4 Spectrum of group services

# 4

## 4. Spectrum of group services



### 4.1 Project implementation

#### 4.1.1 Overview and Types of services

Ludan started their activities back in 1977 as an engineering services company that granted solely engineering services to the Israeli market while its most customers included chemical and petrochemical industry, in full expansion in that period. As time went on, and the Israeli economy evolved under the globalization effect, Ludan started to provide, in addition to the engineering services, process control/ software services and environmental technologies and not only in Israel but in other countries like: Romania, the Netherland a.o. and not only to the industries mentioned above but also to the food, pharmaceuticals, electronics, energy and infrastructure markets.

When Ludan says “Engineering Services” or “Project Implementation”, it means that the company provides such services and managing projects either in the form of EPCM (Engineering, Procurement, Construction, Management -full or partial -) or EPC Lump Sum Turn Key) contracts. So, each time that one of the company’s clients intends to implement a new plant or production facility or to upgrade or refurbish its existing ones, it can refer to Ludan and has the flexibility of selecting the most suitable contract type, either EPC(M) or EPC.

Such selection is typically done according to customer requirements and is influenced by the technology provider. When the client itself brings the technology that will operate the plant, Ludan will provide an EPCM contract; whereas there is no customer special technology involved, Ludan will perform the construction by a EPC contract, and will have the overall responsibility of handing-over to the client an operational installation (“turn-key”).

#### 4.1.2 Labels:

- Ludan Engineering
- KH Engineering

#### 4.1.3 Market segments:

- a) Process industry (batch / continuous)
  - Oil & Gas exploration (onshore / offshore)
  - Refining and Petrochemical
  - Chemicals
- (b) Industrial Manufacturing
  - Metal / Steel production
  - Micro-electronics and process control systems
  - Power installations
- (c) Life science
  - Pharmaceutical
  - Bio-technologies
  - Food and Beverage
- (d) Energy
  - Renewable energy
  - Environmental solutions

#### 4.1.4 Historical milestones

- (a) Ludan Engineering Co. Ltd.
  - 1977 - Foundation of Ludan Engineering Co. Ltd. (IL)
  - 1979 - Ludan IL South Branch
  - 1983 - Ludan IL North Branch
  - 1995 - Ludan Software & Control Ltd.
  - 1997 - Ludan IL - listed in Tel-Aviv Stock Exchange
  - 1997 - Foundation of Ludan Engineering SRL, Romania
  - 2005 - 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
- (b) 2007 - Foundation of Ludan Tech Ltd.
  - 2007 - Acquisition of Symcotech
  - 2008 - Acquisition of Tact.
    - Foundation of Ludan Software & Control Sys. SRL, Romania
- (c) 2007 - Foundation of Ludan Environmental Tech Ltd.
  - 2009 - Foundation of Ludan Renewable Energy in the Netherlands and Spain
  - 2010 - 2011 Foundation of several SPC's to own biogas plants.

## 4.2 Information technology systems/ Software and Control

Software and process control activity of Ludan, is the second largest activity in society, and similar to engineering activities, its growth depends on, among other things, foreign markets, but in a lesser manner than the engineering activities.

Within this activity the company installs and maintains software from reputable international suppliers to industrial companies (such as Plant Information Software), and process control systems for operating plants, primarily for process industry.

Arnon Aharon, joint-CEO of Ludan, admits that this activity is emerging from the engineering and environmental technologies, and explains that the bulk of growth stems out from the fact that this activity has a significant portion of its revenue from services support and maintenance. "This is an activity where the relationship with the customer is a long-term, and in average every 10 years, upgrading their systems is needed, so that this activity becomes an anchor of revenue" he says." In any case, it is important to us to grow in every sector"

### 4.2.1 Types of services

- (a) Process Control Group performs process control projects for the processing industry in Israel and abroad. These control projects include all stages of plant process control design and implementation. Ludan Process Control Group is conducting also Turn Key projects supplying full process control and plant information systems.
- (b) Software section includes design, integration, installation and execution of projects in the field of computers for industrial applications.
- (c) Symcotech provides automated test solutions for a wide range of industries including aerospace & defense, avionics, industrial controls, RF microwave, and medical devices. With all development taking place in house, Symcotech is in a unique position to deliver sophisticated solutions that are highly cost efficient with the best performance in the industry.
- (d) Symcotech has developed some of the most sophisticated ticketing solutions in the world for public transportation as well as parking management systems.

### 4.2.2 Market segments

Smart Ticketing for Public Transport and Entrance Control: Railways and Buses.

Automated Test Software for: Aerospace & Defense, Avionics,

Industrial Controls, RF Microwave and Medical Device.

Software and Process Control: Refineries, Petrochemical, Power Stations,

Chemicals, Pharmaceutical & Biotechnology, Food & Beverages, Micro Electronics,

Transportation, Information Technology and Water & Waste Treatment.

## *Symcotech*

Symcotech has been involved in a wide range of projects, whether upgrading existing manual and automatic test systems, developing automated test equipment for checking the most sophisticated equipment or developing systems for controlling production processes.

The Symcotech trademark service is excellent: delivery on budget and on time. Having a highly talented and dedicated staff allows Symcotech to successfully operate any project it undertakes, no matter how challenging. The vast professionalism that goes into the design, manufacturing and operation processes for advanced test equipment requires in depth research, intensive design and collaboration processes, meticulous production, supply, operational guidance and service - all of which require the top minds in the industry.

## *Software Applications*

The pride and joy of the Symcotech development team, WinTESS is a unique management system for managing tests in automated checkups and maintenance operations of the units under test. Packed with features for the busy test technician, the application is a result of thousands of man-hours of experience accumulated over the years in the field of automated tests, and integrates the entire spectrum of customer demands throughout that period.

## *Experience & Knowledge*

The extensive knowledge and experience can be seen in the company's wide array of products integrating exclusive qualities that have been formulated over two decades of working side by side, in addition to having unique knowledge in the optical and RF realms. Activity in the development and production of test tools that support the production and enable managing automated maintenance systems requires the highest level of professionalism.

## *Quality Systems*

All Symcotech activities, beginning with the price quote and contract review, acquisition, production and right up to delivery to the customer, take place in accordance with ISO 9001:2000. In addition to the company's activities being regularly reviewed by the Israel Office of Standards and Regulations since receiving this distinction in 1995, Symcotech is a recognized Level A provider for The Israel Ministry of Defense.

## *World Class Customers*

Symcotech's quality systems and product lines have been reviewed and authorized by leading industrial organizations in Israel such as Elop, the Israel Intelligence, Israel Aircraft Industries, and Elbit Systems.



## 4.3 Environmental solutions/ Renewable energy

### 4.3.1 Type of environmental solutions and technologies

Ludan provides technology solutions for the treatment of industrial wastewater (an issue that like the industry itself, is growing), industrial solid waste treatment, pollution surveys, designing and performing rehabilitation of land and groundwater and treating flue/ exhaust gases (mainly from power plants). To distinguish from other market players, Ludan decided to be involved in development and partial ownership of proprietary technologies in order to treat different forms of industrial pollution.

As a result, the company has now in its portfolio two technologies - Lextran and Aquapure.

Lextran uses special material (Catalyst) in order to reduce the emissions from the flue gases of the power plants. This activity is not yet substantially contributing to the company's turnover, but is expected to become more significant in the future.

"This technology addresses three pollutants simultaneously, so the cost of establishing and operating the facility saves the customer some money, at least half the cost of alternative technology", explains Ludan Group co-CEO, Arnon Aharon. "And yet, the penetration of this activity is slow," he stresses. "This is a very conservative market." Indeed, just recently, Ludan completed the construction the first industrial demonstration power station in Romania, and made the first commercial sale of technology in China. "In China, pollution from emissions of power plants is very high and the Chinese market still has no answer to it," explains Aaron. "Every week, at least four power stations with 5 megawatts each are setup in China. It's a lot."

### 4.3.2 Labels

- Ludan Environmental Technologies (Israel, Romania) – Industrial Waste Water Treatment
- Clean Soil Expert (Romania) - Hazardous sludge treatment.
- AQUAPURE – Advance Water Treatment (Advanced Oxidation by Non Thermal Plasma)
- LEXTRAN (Romania, China, Israel) – Power stations emissions treatment (NOx, SOx, Mercury and Heavy Metals)
- Ludan Renewable Energy (Netherlands, Spain) – Providing biogas/ biomass operational plants, Maintenance
- Ludan Overseas Energy Finance – Providing financing for Renewable Energy projects

### **4.3.3 Renewable Energy**

Two years ago, the company began to invest some of its resources in energy production projects (electricity and / or thermal energy) using renewable (green) energy sources, mostly based on production of biogas based on recycled municipal waste, agricultural crops and organic waste (manure).

In this sector, the approach is therefore different than for the conventional Project Implementation contracts and is based on the so-called “Built, Own and Operate” concept, in most of the cases being joined by a strategic local partner.

The activity is meant to move the company forward, and to be a significant growth engine while granting also a steady revenue flow.

Ludan decided to focus only on specific types of renewable energies (biogas, waste-to-energy) with a significant engineering component (our background being based on industrial process industry), while providing long-term integrated solutions for local communities.

The operational structure has been continuously reinforced and the targeted area has been expanded from Netherlands and Spain to Central and Eastern European countries. The foundation of more Special Propose Companies is continuing while the number of renewable energy prospects in development by Ludan Renewable Energy (LRE) and Ludan Overseas Energy Finance (LEO) is close to 20.

## **4.4 Energy/Waste to Energy**

Ludan Energy is a provider of engineering solutions for power stations and for renewable energy projects. It provides turnkey projects as well as EPCM services (Engineering, Procurement, Construction supervision and project Management). Ludan Energy’s activities are split between conventional power plants and those grouped under renewable energies. It acts as an overall integrator for the design and supply of energy plants. Ludan Energy also collaborates with leading technology providers and equipment suppliers, thus providing the highest standards of quality and safety.

## **4.5 Miscellaneous**

Ludan Infrastructure & Construction, Ludan Projects Darom, Ludan Real Estate, Charisma Construct.

# 5 Auditor's Report

# 5



# 5. Auditor's Report



11 Menachem Begin St.  
Rogovin Tidhar tower  
Ramat-Gan 52681  
T +972-3-5665006  
F +972-74-7144150  
info@bakertilly.co.il  
www.bakertilly.co.il

April 2, 2012

## **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, 2011 and 2010.
2. The consolidated statement of income for the years ended December 31, 2011, 2010 and 2009.
3. Changes in shareholders' equity for the years ended December 31, 2011, 2010 and 2009.
4. The consolidated cash flows for the years ended December 31, 2011, 2010 and 2009.

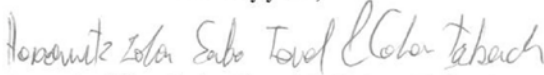
These documents were translated from the original Hebrew financial statement of the company.

For the convenience of the readers the Euro/dollar/new Israeli shekel exchange rate at 31.12.2011

is: \$1 = 3.821 NIS.

€1 = 4.938 NIS.

Sincerely yours,

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



Baker Tilly is a trading name of Horowitz Idan Sabo Tevet & Cohen Tabach

## LUDAN ENGINEERING CO. LTD

## Consolidated statements of financial position as at December 31

		2011	2010
	Note	NIS thousand	
<b>ASSETS</b>			
<b><u>Current assets</u></b>			
Cash and cash equivalents	4a	27,996	15,917
Restricted bank deposits	4b	22,819	1,703
Financial asset at fair value	5	1,796	4,959
Trade and income receivables	6	110,970	124,374
Other receivables and debit balances	7	14,160	(*) 18,804
Current tax receivables		2,854	(*) 4,307
Inventory		2,298	2,309
<b>Total current assets</b>		<b>182,893</b>	<b>172,373</b>
<b><u>Non-current assets</u></b>			
Investments in affiliates	8	2,880	1,000
Loans	9	2,769	3,921
Fixed assets	10	19,863	22,627
Intangible assets	11	22,190	24,922
Other assets		876	819
Deferred tax	25	3,774	1,993
<b>Total non-current assets</b>		<b>52,352</b>	<b>55,282</b>
<b>Total assets</b>		<b>235,245</b>	<b>227,655</b>

(\*) Reclassified

The notes to the financial statements form an integral part thereof.

**LUDAN ENGINEERING CO. LTD**

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

	Note	2011	2010
		NIS Thousand	
<b>LIABILITIES AND EQUITY</b>			
<b><u>Current liabilities:</u></b>			
Short-term bank credit	12 a	7,028	10,296
Current maturities of long-term debt	13	7,309	6,931
Financial liability at fair value	5	-	164
Suppliers, Sub-contractors and Service-providers	14	32,944	(*) 29,225
Advances from customers		13,279	28,406
Other Payables and credit balances	15	49,557	(*) 35,588
Tax liabilities		1,489	697
<b>Total current liabilities</b>		<b>111,606</b>	<b>111,307</b>
<b><u>Non-current liabilities:</u></b>			
Long term banks loans	12 b	27,777	10,618
Bonds	13	-	6,931
Deferred tax	25	2,726	5,798
Non-current compensation liabilities	16	11,978	10,885
<b>Total non-current liabilities</b>		<b>42,481</b>	<b>34,232</b>
<b>Total liabilities</b>		<b>154,087</b>	<b>145,539</b>
<b><u>Equity</u></b>			
	18		
Share Capital		12,936	12,936
Share Premium		28,439	28,439
Currency translation adjustments		(2,984)	(3,744)
Cash flow hedges		76	76
Retained earnings		29,027	27,119
Total equity attributable to shareholders		67,494	64,826
<b>Total equity attributable to Minority Interest</b>		<b>13,664</b>	<b>17,290</b>
<b>Total Equity</b>		<b>81,158</b>	<b>82,116</b>
<b>Total liabilities and Equity</b>		<b>235,245</b>	<b>227,655</b>

(\*) Reclassified

The notes to the financial statements form an integral part thereof.

Lilach Rosen Shteinbook – Chief  
financial officer

Arnon Aharon – Director and  
Co Chief executive Officer

Moshe Luski – Chairman  
of the board of Directors

Date of approval: March 26, 2012

## LUDAN ENGINEERING CO. LTD

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

	Note	2011	2010	2009
		NIS Thousand		
Revenue	20	443,067	391,144	415,400
Cost of revenue	21	387,235	336,973	349,175
Gross income		55,832	54,171	66,225
Business and development expenses		2,045	-	-
Administrative and general expenses	22	41,042	40,323	45,911
Operating income		12,745	13,848	20,314
Other expenses, net	23	-	-	(2,228)
Operating income		12,745	13,848	18,086
Financial expenses	24	(3,633)	(4,710)	(6,397)
Financial income	24	1,581	2,803	4,899
Financial expenses, net		(2,052)	(1,907)	(1,498)
Share in profit (losses) of included companies		148	(1,446)	(1,057)
Income before Taxation		10,841	10,495	15,531
Taxation	25	2,384	2,971	5,756
Income for the year		8,457	7,524	9,775
Attributable to:				
Owners of the Company		6,913	4,637	3,587
Minority interest		1,544	2,887	6,188
		8,457	7,524	9,775
Earning per share attributable to owners of the Company (in NIS)	26			
Basic earning per share		0.6	0.41	0.32
Diluted earning per share		0.6	0.40	0.31

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>Note</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
		<u>NIS Thousand</u>		
<b>Income for the year</b>		<u>8,457</u>	<u>7,524</u>	<u>9,775</u>
<b>Comprehensive Profit (Loss)</b>		<u>1,490</u>	<u>(5,658)</u>	<u>90</u>
Foreign currency translation differences for foreign operations		-	-	(73)
Change in the net fair value of cash flow hedges		<u>1,490</u>	<u>(5,658)</u>	<u>17</u>
<b>Comprehensive Profit (loss) for the year, net of tax</b>		<u>9,947</u>	<u>1,866</u>	<u>9,792</u>
<b>Total annual comprehensive income, net of tax</b>		<u>9,947</u>	<u>1,866</u>	<u>9,792</u>
<b>Attributable to:</b>				
Shareholders		<u>7,673</u>	<u>1,402</u>	<u>3,575</u>
Minority Interests		<u>2,274</u>	<u>464</u>	<u>6,217</u>
		<u>9,947</u>	<u>1,866</u>	<u>9,792</u>

The notes to the financial statements form an integral part thereof.



**LUDAN ENGINEERING CO. LTD**  
**Consolidated Statement of changes in equity**

	Changes in equity attributes to owners equity							
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to owners of the company	Non Controlling Share holders	Total equity
As at 1 January 2011	12,936	28,439	(3,744)	76	27,119	64,826	17,290	82,116
<b>Movement in 2011</b>								
Profit for the year	-	-	-	-	6,913	6,913	1,544	8,547
Other comprehensive income, net of taxation:								
Exchange rate translation differences on foreign operations	-	-	760	-	-	760	730	1,490
Total comprehensive income	-	-	760	-	6,913	7,673	2,274	9,947
Dividend	-	-	-	-	(5,186)	(5,186)	(5,900)	(11,086)
Share-Based Payment	-	-	-	-	181	181	-	181
<b>Total capital as at 31 December 2011</b>	<b>12,936</b>	<b>28,439</b>	<b>(2,984)</b>	<b>76</b>	<b>29,027</b>	<b>67,494</b>	<b>13,664</b>	<b>81,158</b>

The notes to the financial statements form an integral part thereof.

**LUDAN ENGINEERING CO. LTD**  
**Consolidated Statement of changes in equity - continued**

	Changes in equity attributes to owners equity							Total equity
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to owners of the company	Non Controlling Share holders	
As at 1 January 2010	12,724	27,431	(509)	-	26,943	66,589	17,112	83,701
<b>Movement in 2010</b>								
Profit for the year	-	-	-	-	4,637	4,637	2,887	7,524
Other comprehensive income, net of taxation:								
Exchange rate translation differences on foreign operations	-	-	(3,235)	-	-	(3,235)	(2,423)	(5,658)
Total other comprehensive income	-	-	(3,235)	-	4,637	1,402	464	1,866
Dividend	-	-	-	-	(4,564)	(4,564)	(110)	(4,674)
Acquisition of shares non controlling share holders'	-	-	-	76	-	76	(176)	(100)
Exercise of stock options	212	1,008	-	-	-	1,220	-	1,220
Share-Based Payment	-	-	-	-	103	103	-	103
<b>Total capital as at 31 December 2010</b>	<b>12,936</b>	<b>28,439</b>	<b>(3,744)</b>	<b>76</b>	<b>27,119</b>	<b>64,826</b>	<b>17,290</b>	<b>82,116</b>

The notes to the financial statements form an integral part thereof.



LUDAN ENGINEERING CO. LTD  
Consolidated Statement of changes in equity - continued

	Changes in equity attributes to owners equity							
	Share Capital	Share Premium Account	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to owners of the company	Non Controlling Share holders	Total equity
As at 1 January 2009	12,694	27,293	(542)	45	26,652	66,142	12,125	78,267
<b>Movement in 2009</b>								
Profit for the year	-	-	-	-	3,587	3,587	6,188	9,775
Other comprehensive income, net of taxation:								
Exchange rate translation differences on foreign operations	-	-	33	-	-	33	57	90
Net change in fair value of cash flow hedges	-	-	-	(45)	-	(45)	(28)	(73)
Total comprehensive income	-	-	33	(45)	3,587	3,575	6,217	9,792
Dividend	-	-	-	-	(4,513)	(4,513)	(1,230)	(5,743)
Exercise of stock options	30	138	-	-	-	168	-	168
Share-Based Payment	-	-	-	-	1,217	1,217	-	1,217
<b>Total capital as at 31 December 2009</b>	<b>12,724</b>	<b>27,431</b>	<b>(509)</b>	<b>-</b>	<b>26,943</b>	<b>66,589</b>	<b>17,112</b>	<b>83,701</b>

The notes to the financial statements form an integral part thereof.

**LUDAN ENGINEERING CO. LTD**

**Appendices to Consolidated Statement of cash flows for the year ended December 31**

**Appendices A. Cash derived by (used in) operating activities before finance and taxes, net:**

	2011	2010	2009
	<i>NIS Thousand</i>		
<b>Profit for the year</b>	<b>8,457</b>	7,524	9,775
<b>Expenses (revenues) not involving cash flows:</b>			
Partial share of Losses in of affiliated companies	(148)	1,446	1,057
Depreciation and amortization	13,726	10,368	11,208
Cost of share-based payment	181	103	1,217
Income tax	2,384	(*) 2,971	(*) 5,756
Financial asset fair value (gains) losses	184	(347)	(1,804)
Loss (Gain) from changes in the fair value of stock options	-	-	(6)
Increase (decrease) in employee benefits liabilities, net	1,067	1,290	(2,605)
Matching assets and liabilities, net of discount	2,939	2,315	(*) 3,635
	<u>20,333</u>	<u>18,146</u>	<u>18,458</u>
<b>Changes in operating assets and liabilities:</b>			
Decrease (increase) in Trade and income receivables	16,680	(33,863)	5,972
Decrease (increase) in Other receivables and debit balances	5,654	(*) (1,852)	(*) (6,220)
Decrease (increase) in inventory	11	150	848
Increase (decrease) in Suppliers, Sub-contractors and Service-providers	2,965	(*) (10,103)	(*) 4,612
Increase (decrease) in Advances from customers	(16,688)	9,300	(12,889)
Increase (decrease) in Other Payables	12,324	(*) (11,811)	(*) 12,588
	<u>20,946</u>	<u>(48,179)</u>	<u>4,911</u>
	<u>49,736</u>	<u>(22,509)</u>	<u>33,144</u>

**Appendices B. Non cash activities**

	2011	2010	2009
	<i>NIS Thousand</i>		
Liability for copyright option owners sold option which did not grant control	-	-	7,996
Dividend to non controlling share holders	3,130	-	-

(\*) Reclassified see note 2

**The notes to the financial statements form an integral part thereof.**

**LUDAN ENGINEERING CO. LTD**  
**Consolidated Statement of cash flows for the year ended December 31**

	2011	2010	2009
	<i>NIS Thousand</i>		
<b>Cash flows from operating activities</b>			
Cash derived by (used in) operating activities before finance and taxes, net (Appendix A)	49,736	(*) (22,509)	(*) 17,361
Cash paid for interest	(2,496)	(1,679)	(1,721)
Cash received for interest	463	808	1,810
Cash paid for income tax	(5,705)	(5,495)	(8,443)
Cash received for income tax	811	350	2,346
<b>Net cash derived by (used in) operating activities</b>	<b>42,809</b>	<b>(28,525)</b>	<b>27,136</b>
<b>Cash flows from investing activities</b>			
Sale (purchases) of marketable securities , net	2,758	9,543	6,331
Withdrawal (deposit) bank investments, net	(21,055)	4,417	36
Investment in affiliates, including loans	(1,707)	(776)	(439)
Purchase of fixed assets	(5,307)	(9,347)	(5,560)
Payment for Non-tangible assets	(2,496)	(2,304)	(255)
Loans Repaid (granted), net	(1,665)	(1,923)	(4,294)
Acquisition share from non controlling share holders	-	(100)	-
Proceeds from sale of fixed assets	116	110	53
<b>Net cash used in investing activities</b>	<b>(29,356)</b>	<b>(380)</b>	<b>(4,128)</b>
<b>Cash flows from financing activities</b>			
Proceeds from sale of shares option less costs	-	1,220	168
Receipt of long term loans	19,583	7,152	2,888
Payment of long-term loans	(2,705)	(3,309)	(3,207)
Repayment of other Financial liabilities	-	(7,996)	(1,998)
Short term bank credit changes	(3,199)	7,000	(2,738)
Repayment of debentures	(7,350)	(7,110)	(6,603)
Proceeds from sale of company debentures by a subsidiary	-	-	999
Dividend paid	(5,186)	(4,564)	(4,513)
Dividends to minority interests in subsidiaries	(2,770)	(110)	(1,230)
<b>Net cash in financing activities</b>	<b>(1,627)</b>	<b>(7,717)</b>	<b>(16,234)</b>
<b>Translation differences in respect of overseas units</b>	<b>253</b>	<b>(3,856)</b>	<b>559</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>12,079</b>	<b>(40,478)</b>	<b>7,333</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>15,917</b>	<b>56,395</b>	<b>49,062</b>
<b>Cash and cash equivalents at the end of year</b>	<b>27,996</b>	<b>15,917</b>	<b>56,395</b>

(\*) Reclassified see note 2

The notes to the financial statements form an integral part thereof.

## Ludan Group - Main Contacts

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

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### LUDAN ENGINEERING

#### Ludan Engineering Co. Ltd.

##### Head Office:

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

##### South Branch

Beta Building, Science-Based Industrial Park  
P.O.B 695, Beer Sheva 84105, Israel  
Tel: +972 - 8 - 625 8300  
Fax: +972 - 8 - 623 9028  
south@ludan.co.il

##### North Branch

17, Hashalom Road, P.O.B 307  
Nesher 36651, Israel  
Tel: +972 - 4 - 820 8800  
Fax: +972 - 4 - 821 8010  
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

### 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.  
Rijnkaai 37  
2000 Antwerpen, Belgium  
Tel: +32 - 3 - 206 0740  
Fax: +32 - 3 - 206 0745  
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

#### Romania Branch

KH Process Engineering SRL  
52 Virtutii Blvd.,  
Sector 6, 060787  
Bucharest, Romania  
Tel: +40 - 31 - 229 2020  
Fax: +40 - 31 - 229 2022  
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. Lamartinova 2, 1 st floor  
11000 Belgrade, Vracar, Serbia  
Tel: +381 - 11 - 242 - 1306  
Fax: +381 - 11 - 386 - 1526  
office@ludan.rs

**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

**Ludan Environmental Technologies Ltd.**

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

**Aquapure Technologies Ltd.**

6 Granit St. P.O.B. 3584  
Petach Tikva 49130, Israel  
Tel: +972 - 3 - 918 2000  
Fax: +972 - 3 - 918 2022  
aquapure@barak.net.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**

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

