

April 9, 2017

**LUDAN ENGINEERING CO. LTD.**Petach - Tikva

Gentlemen,

At your request, attached is an English translation of:


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

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

For the convenience of the readers the Euro/Dollar/NIS exchange rate at 31.12.2016 is:

\$1 = 3.845 NIS.

€1 = 4.0438 NIS.

**Sincerely yours,****Horowitz Idan Sabo Tevet & Cohen Tabach  
Certified Public Accountants (Isr.)**look for us on [www.bakertilly.co.il](http://www.bakertilly.co.il)Baker Tilly is a trading name of Horowitz Idan Sabo Tevet & Cohen Tabach  
An independent member of Baker Tilly International

**LUDAN ENGINEERING CO. LTD**  
**Consolidated statements of financial position as at December 31**

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

(\*) Restated.

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

**LUDAN ENGINEERING CO. LTD**  
**Consolidated statements of financial position as at December 31**

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Audited)</b>	
	NIS thousands	
<b>LIABILITIES AND EQUITY</b>		
<b><u>Current liabilities:</u></b>		
Short-term bank credit and others	<b>37,269</b>	30,852
Short-term bonds	<b>5,435</b>	-
Suppliers, Sub-contractors and Service-providers	<b>52,288</b>	57,026
Advances from customers	<b>22,265</b>	37,904
Other Payables and credit balances	<b>69,864</b>	76,773
Tax liabilities	<b>4,845</b>	2,238
<b>Total current liabilities</b>	<b>191,966</b>	204,793
<b><u>Non-current liabilities:</u></b>		
Long term loans to banks and others	<b>21,705</b>	40,208
Bonds	<b>43,476</b>	48,577
Payables in respect of the acquisition of a subsidiary	-	2,365
PUT option to Minority Interest	<b>6,615</b>	6,540
Other long term payables	<b>341</b>	313
Deferred tax	<b>442</b>	(*) 1,200
Non-current compensation liabilities	<b>13,049</b>	12,562
<b>Total non-current liabilities</b>	<b>85,628</b>	111,765
<b>Total liabilities</b>	<b>277,594</b>	316,558
<b><u>Equity:</u></b>		
Share Capital	<b>12,936</b>	12,936
Share Premium	<b>28,439</b>	28,439
Currency translation adjustments	<b>(7,211)</b>	(6,486)
Other hedges	<b>(6,734)</b>	(6,735)
Retained earnings	<b>41,237</b>	33,480
<b>Total equity attributable to shareholders</b>	<b>68,667</b>	61,634
<b>Total equity attributable to Minority Interest</b>	<b>5,372</b>	4,828
<b>Total Equity</b>	<b>74,039</b>	66,462
<b>Total liabilities and Equity</b>	<b>351,633</b>	383,020

(\*) Restated.

The notes to the financial statements form an integral part thereof

\_\_\_\_\_  
**Moshe Luski - Chairman of  
the board of Directors**

\_\_\_\_\_  
**Arnon Aharon - Co Chief  
executive Officer**

\_\_\_\_\_  
**Gonen Betser - Chief  
financial Officer**

Approval date of the financial statements: March 28, 2016

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

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

(\*) Restated.

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

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

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

The notes to the financial statements form an integral part thereof

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

	<b>Capital attributed to the owners of the company</b>					<b>Attributable to the owners of the company</b>	<b>Non Controlling Share holders</b>	<b>Total</b>
	<b>Share Capital</b>	<b>Share Premium Account</b>	<b>Cumulative Translation Reserve</b>	<b>Other Reserve</b>	<b>Retained Earnings</b>			
	<i>NIS Thousands</i>							
<b>As at January 1, 2016</b>	<b>12,936</b>	<b>28,439</b>	<b>(6,486)</b>	<b>(6,735)</b>	<b>33,480</b>	<b>61,634</b>	<b>4,828</b>	<b>66,462</b>
<b>Movement in 2016</b>								
Profit for the year	-	-	-	-	7,277	7,277	1,752	9,029
Other comprehensive income:								
Exchange rate translation differences on foreign operations	-	-	(725)	-	-	(725)	(227)	(952)
Actuarial gain on defined benefit plans	-	-	-	1	-	1	-	1
Total other comprehensive income for the year	-	-	(725)	1	7,277	6,553	1,525	8,078
Dividends to non-controlling shareholders	-	-	-	-	-	-	(981)	(981)
Share-Based Payment	-	-	-	-	480	480	-	480
<b>Total capital as at 31 December 2016</b>	<b>12,936</b>	<b>28,439</b>	<b>(7,211)</b>	<b>(6,734)</b>	<b>41,237</b>	<b>68,667</b>	<b>5,372</b>	<b>74,039</b>

**Capital attributed to the owners of the company**

	<b>Share Capital</b>	<b>Share Premium Account</b>	<b>Cumulative Translation Reserve</b>	<b>Other Reserve</b>	<b>Retained Earnings</b>	<b>Attributable to the owners of the company</b>	<b>Non Controlling Share holders</b>	<b>Total</b>
	<i>NIS Thousands</i>							
<b>As at January 1, 2015</b>	12,936	28,439	(3,194)	(9,078)	40,495	69,598	4,948	74,546
<b>Movement in 2015</b>								
Profit (losses) for the year	-	-	-	-	(7,495)	(7,495)	1,239	(6,256)
Other comprehensive income:								
Exchange rate translation differences on foreign operations	-	-	(3,292)	-	-	(3,292)	(439)	(3,731)
Actuarial gain on defined benefit plans	-	-	-	2,043	-	2,043	-	2,043
Total other comprehensive income for the year	-	-	(3,292)	2,043	(7,495)	(8,744)	800	(7,944)
Capital fund for salary sacrifice from related party directed	-	-	-	300	-	300	-	300
Dividends to non-controlling shareholders	-	-	-	-	-	-	(920)	(920)
Share-Based Payment	-	-	-	-	480	480	-	480
<b>Total capital as at 31 December 2015</b>	<b>12,936</b>	<b>28,439</b>	<b>(6,486)</b>	<b>(6,735)</b>	<b>33,480</b>	<b>61,634</b>	<b>4,828</b>	<b>66,462</b>

**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			
	<i>NIS Thousands</i>							
<b>As at January 1, 2014</b>	12,936	28,439	(3,650)	(394)	37,548	74,879	8,814	83,693
<b>Movement in 2014</b>								
Profit for the year	-	-	-	-	2,947	2,947	2,335	5,282
Other comprehensive income:								
Exchange rate translation differences on foreign operations	-	-	(359)	-	-	(359)	(369)	(728)
Release of translation differences reserve for foreign operations	-	-	815	-	-	815	-	815
Actuarial gain on defined benefit plans	-	-	-	502	-	502	-	502
Total other comprehensive income for the year	-	-	456	502	2,947	3,905	1,966	5,871
Net purchase of shares in the subsidiary from non-controlling interests	-	-	-	(9,186)	-	(9,186)	(5,832)	(15,018)
<b>Total capital as at 31 December 2014</b>	<b>12,936</b>	<b>28,439</b>	<b>(3,194)</b>	<b>(9,078)</b>	<b>40,495</b>	<b>69,598</b>	<b>4,948</b>	<b>74,546</b>



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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	NIS Thousands		
<b>Cash flows from operating activities:</b>			
Cash derived from (used in) operating activities before finance and taxes, net (Appendix A)	2,465	42,140	(16,096)
Interest paid	(7,303)	(6,341)	(5,091)
Interest received	1,160	1,678	2,120
Income tax paid	(5,268)	(5,695)	(8,115)
Income tax refund received	1,565	3,603	766
<b>Net cash derived from (used in) operating activities</b>	<b>(7,381)</b>	<b>35,385</b>	<b>(26,416)</b>
<b>Cash flows from investing activities:</b>			
Withdrawal bank investments, net	4,334	80	7,006
Investment in affiliates, including loans	(6,970)	(5,434)	(810)
Purchase of fixed assets, net	(4,115)	(10,776)	(449)
Purchase of Intangible and other assets, net	(1,404)	(1,994)	(4,292)
Loans granted, net	2,338	1,217	-
Purchase of shares in subsidiary	-	-	(1,674)
First time consolidation of subsidiary and activity (Appendix C)	-	(8,028)	143
Acquisition share from non-controlling shareholders (Appendix B)	-	-	(5,000)
<b>Net cash used in investing activities</b>	<b>(5,817)</b>	<b>(24,935)</b>	<b>(5,076)</b>
<b>Cash flows from financing activities:</b>			
Receipt of long term loans from banks and others	517	5,800	13,373
Payment of long term loans to banks and others	(11,068)	(10,990)	(17,264)
Payables repayment obligation for the acquisition of rights in subsidiary	(2,338)	(1,217)	-
Proceeds from issuance of Bonds	-	48,358	-
Dividends to minority interests in subsidiaries	(981)	(920)	-
Short term credit changes	(1,536)	(23,428)	14,750
<b>Net cash derived from (used in) financing activities</b>	<b>(15,406)</b>	<b>17,603</b>	<b>10,859</b>
<b>Translation differences in respect of overseas units</b>	<b>(495)</b>	<b>(1,925)</b>	<b>(1,311)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(29,099)</b>	<b>26,128</b>	<b>(21,944)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>63,922</b>	<b>37,794</b>	<b>59,738</b>
<b>Cash and cash equivalents at the end of year</b>	<b>34,823</b>	<b>63,922</b>	<b>37,794</b>

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:**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>NIS Thousand</i>		
<b>Profit (losses) for the year</b>	<b>9,029</b>	<b>(6,256)</b>	<b>5,282</b>
<b>Income and expenses not affecting cash flows:</b>			
Partial share of (gains) losses in of affiliated companies	<b>1,133</b>	192	(32)
Depreciation and amortization	<b>8,697</b>	9,151	6,779
Impairment of assets, net	<b>3,351</b>	4,378	-
Cost of share-based payment	<b>480</b>	480	-
Income taxes	<b>5,551</b>	(1,605)	2,279
Income (loss) from sale of fixed assets, net	<b>402</b>	-	(755)
Increase (decrease) in employee benefits liabilities, net	<b>537</b>	85	(1,168)
Salary sacrifice from related party directed	<b>-</b>	300	-
Financial expenses, net	<b>6,116</b>	4,743	3,400
	<b>35,296</b>	<b>11,468</b>	<b>15,785</b>
<b>Changes in operating assets and liabilities:</b>			
Decrease (increase) in Trade and income receivables	<b>(6,691)</b>	(13,229)	7,424
Decrease (increase) in Other receivables and debit balances	<b>(505)</b>	(4,143)	88
Increase in Inventory	<b>(1,504)</b>	(395)	(874)
Decrease in Suppliers, Sub-contractors and service-providers	<b>(3,511)</b>	(5,197)	(1,695)
Increase (decrease) in Advances from customers	<b>(14,934)</b>	26,617	(26,040)
Increase (decrease) in Other Payables	<b>(5,686)</b>	27,019	(10,784)
	<b>(32,831)</b>	<b>30,672</b>	<b>(31,881)</b>
Cash derived from (used in) operating activity before finance and taxes, net	<b>2,465</b>	<b>42,140</b>	<b>(16,096)</b>

**Appendix B. Non cash activities**

Receivables from fixed assets	<b>-</b>	<b>-</b>	<b>500</b>
Services to clients given extended payment terms - presented in non-current assets	<b>-</b>	<b>-</b>	<b>2,688</b>
Payable for the acquisition of share interest in subsidiary	<b>-</b>	<b>1,200</b>	<b>5,921</b>
Receivables from the sales of share interest in subsidiary	<b>-</b>	<b>-</b>	<b>5,921</b>
Seller's loan for the acquisition of share interest in subsidiary	<b>-</b>	<b>-</b>	<b>10,000</b>
Put options to minority interest	<b>-</b>	<b>6,540</b>	<b>-</b>

**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**

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**Appendix C. First time consolidation of subsidiary and activity**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
		<i>NIS Thousands</i>	
Assets of the subsidiary and activity as of the consolidation date except cash and cash equivalents	-	(39,909)	(5,445)
Liabilities of the subsidiary and activity as of consolidation date	-	32,133	5,018
Customer relationships and goodwill	-	(11,487)	-
Deferred taxes	-	1,353	-
Payables in respect of the acquisition of a subsidiary	-	1,200	-
PUT option to Minority Interest	-	8,682	-
Unpaid balance	-	-	570
	<u>-</u>	<u>(8,028)</u>	<u>143</u>

## LUDAN ENGINEERING CO. LTD

### Notes to Financial Statements

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#### Segment reporting

The reporting format of the Group in accordance with the implementation of the "management approach", as defined by IFRS 8, ie depending on the reporting format operating decision makers for allocating resources and assessing performance of the segments.

#### A. The group consists of the following main business segments:

##### (1) Engineering Services

The Group provides engineering and operations management group projects in Israel and worldwide, through professional engineering and technical staff.

Engineering services provided through the establishment of industrial projects (mainly the construction of industrial plants manufacturing facilities) are services management, design, procurement and construction.

The Group also currently provides engineering services through the company's human resources available to the customers for limited periods.

In addition, the Group provides engineering services in the form of Turn-Key projects, whereby they are responsible for the total of all stages of the project.

##### (2) Software and Control Services

The Group, through its subsidiaries Symcotech and Ludan System and Control, develops and manufactures automated test systems, computerized ticketing systems and access control in the area of public transportation.

The group also provides software services, including marketing software products and their application for the client. It also specializes in instrumentation and control systems used for command and control of the operation of enterprises, mainly in process industries.

##### (3) Energy and Environment

The Group, through Ludan Technologies, operates all group activities in environmental and energy in the country and abroad. Activity involves industrial wastewater technology solutions, consulting and implementation of land rehabilitation and groundwater, invasion gas treatment and contaminated waste water treatment.

Since 2010, energy operations are consolidated under "Energy and Environment" department. This activity, in that sector, includes the Group's activities in the energy sector and the design and construction of energy facilities and integrated normal cycle projects in the various stages of testing and programming in the green energy field.

**B.** The results of the business segments include the segment's revenues and costs and expenses relating directly to each segment. Joint expenses are reasonably allocated to segments.

**C.** Segment assets include all operating assets used by a segment and consist mainly of cash and cash equivalents, accounts receivable, inventory and fixed assets.

Segment liabilities include all operating liabilities and mainly include commitment to suppliers, payables to banks and liabilities for employee severance benefits.

**D.** The segment results include transfers between segments. Transfers are recorded in accordance with the agreed transfer prices and are eliminated in the consolidated financial statements.

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

**Segment reporting – continued**

	<b>For the year ended December 31, 2016</b>				
	<b>Engineering Department</b>	<b>Software and Control Department</b>	<b>Energy and Environment Department</b>	<b>Cancellations</b>	<b>Total</b>
	NIS thousands				
Revenues from Israelis external customers	<b>105,870</b>	<b>159,547</b>	<b>14,552</b>	<b>-</b>	<b>279,969</b>
Revenues from abroad external customers	<b>277,734</b>	<b>-</b>	<b>24,096</b>	<b>-</b>	<b>301,830</b>
Intersegment transfers	<b>5,780</b>	<b>32</b>	<b>-</b>	<b>(5,812)</b>	<b>-</b>
	<b>389,384</b>	<b>159,579</b>	<b>38,648</b>	<b>(5,812)</b>	<b>581,799</b>
Segment results in Israel	<b>349</b>	<b>13,997</b>	<b>121</b>		<b>14,467</b>
Segment results abroad	<b>12,079</b>	<b>-</b>	<b>531</b>		<b>12,610</b>
Segment results	<b>12,428</b>	<b>13,997</b>	<b>652</b>		<b>27,077</b>
Other expenses, net					<b>(3,753)</b>
Financial expenses, net not allocated					<b>(7,611)</b>
Income taxes					<b>(1,133)</b>
Share in profit of affiliated companies					<b>(5,551)</b>
Income for the year					<b>9,029</b>

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

**Segment reporting - continued**

**E. Segment data - continued:**

	<b>For the year ended December 31, 2015</b>				<b>Total</b>
	<b>Engineering Department</b>	<b>Software and Control Department</b>	<b>Energy and Environment Department</b>	<b>Cancellations</b>	
	NIS thousands				
Revenues from Israelis external customers	116,177	142,094	3,583	-	261,854
Revenues from abroad external customers	245,503	-	11,459	-	256,962
Inter segment transfers	5,672	805	541	(7,018)	-
	<u>367,352</u>	<u>142,899</u>	<u>15,583</u>	<u>(7,018)</u>	<u>518,816</u>
Segment results in Israel	5,000	2,034	(11,118)		(4,084)
Segment results abroad	7,749	-	(486)		7,263
Segment results	<u>12,749</u>	<u>2,034</u>	<u>(11,604)</u>		<u>3,179</u>
Other expenses, net					(4,378)
Financial expenses, net not allocated					(6,470)
Income taxes					1,605
Share in profit of affiliated companies					(192)
Income for the year					<u>(6,256)</u>

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

**Segment reporting - continued**

**E. Segment data - continued:**

	<b>For the year ended December 31, 2014</b>				
	<b>Engineering Department</b>	<b>Software and Control Department</b>	<b>Energy and Environment Department</b>	<b>Cancellations</b>	<b>Total</b>
	NIS thousands				
Revenues from Israelis external customers	146,840	62,854	9,574	-	219,268
Revenues from abroad external customers	177,882	3,893	67,373	-	249,148
Inter segment transfers	5,728	7,599	8,652	(21,979)	-
	<u>330,450</u>	<u>74,346</u>	<u>85,599</u>	<u>(21,979)</u>	<u>468,416</u>
Segment results in Israel	(746)	1,660	1,052		1,966
Segment results abroad	9,107	18	405		9,530
Segment results	<u>8,361</u>	<u>1,678</u>	<u>1,457</u>		<u>11,496</u>
Other income, net					755
Financial expenses, net not allocated					(4,722)
Income taxes					(2,279)
Share in profit of affiliated companies					32
Income for the year					<u>5,282</u>

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

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**Segment reporting - continued**

**E. Segment data - continued:**

	<b>December 31, 2016</b>			<b>Total</b>
	<b>Engineering Department</b>	<b>Software and Control Department</b>	<b>Energy and Environment Department</b>	
	NIS thousands			
Segment assets	<u>156,726</u>	<u>147,216</u>	<u>43,493</u>	<u>347,435</u>
Joint assets that are not allocated				<u>4,198</u>
Total consolidated assets				<u>351,633</u>
Segment liabilities	<u>101,237</u>	<u>112,429</u>	<u>60,892</u>	<u>274,558</u>
Joint liabilities that are not allocated				<u>3,036</u>
Total consolidated liabilities				<u>277,594</u>
Capital investment	<u>4,167</u>	<u>2,462</u>	<u>7,155</u>	<u>13,784</u>
Joint capital investment that are not allocated				<u>-</u>
				<u>13,784</u>
Depreciation and amortization	<u>5,207</u>	<u>2,857</u>	<u>486</u>	<u>8,550</u>
Impairment of assets, net	<u>1,213</u>	<u>937</u>	<u>1,201</u>	<u>3,351</u>
Joint depreciation and amortization that are not allocated				<u>148</u>
				<u>12,049</u>



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

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**Segment reporting - continued**

**E. Segment data - continued:**

	<b>December 31, 2015</b>			<b>Total</b>
	<b>Engineering Department</b>	<b>Software and Control Department</b>	<b>Energy and Environment Department</b>	
	NIS thousands			
Segment assets	<u>165,966</u>	<u>154,252</u>	<u>(*) 56,980</u>	<u>377,198</u>
Joint assets that are not allocated				<u>5,822</u>
Total consolidated assets				<u>383,020</u>
Segment liabilities	<u>115,312</u>	<u>126,033</u>	<u>(*) 70,471</u>	<u>311,816</u>
Joint liabilities that are not allocated				<u>4,742</u>
Total consolidated liabilities				<u>316,558</u>
Capital investment	<u>10,569</u>	<u>8,835</u>	<u>3,867</u>	<u>23,271</u>
Joint capital investment that are not allocated				<u>-</u>
				<u>23,271</u>
Depreciation and amortization	<u>4,282</u>	<u>4,512</u>	<u>181</u>	<u>8,975</u>
Impairment of assets, net	<u>-</u>	<u>4,378</u>	<u>-</u>	<u>4,378</u>
Joint depreciation and amortization that are not allocated				<u>176</u>
				<u>13,529</u>

(\*) Restated.

## 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:

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

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