



ITURAN LOCATION AND CONTROL LTD.

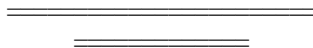
**Consolidated Interim Financial Statements
as of June 30, 2018**

ITURAN LOCATION AND CONTROL LTD.

Consolidated Financial Statements as of June 30, 2018

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ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	June 30, 2018	December 31, 2017
Current assets		
Cash and cash equivalents	36,106	36,906
Investment in marketable securities	1,319	3,559
Accounts receivable (net of allowance for doubtful accounts)	43,097	41,009
Other current assets	39,746	41,394
Inventories	13,526	14,244
	<u>133,794</u>	<u>137,112</u>
Long-term investments and other assets		
Investments in affiliated companies	13,774	14,839
Investments in other companies	2,186	1,382
Other non-current assets	1,062	939
Deferred income taxes	6,450	8,398
Funds in respect of employee rights upon retirement	9,006	9,627
	<u>32,478</u>	<u>35,185</u>
Property and equipment, net	<u>37,232</u>	<u>39,047</u>
Intangible assets, net	<u>77</u>	<u>38</u>
Goodwill	<u>3,587</u>	<u>3,777</u>
Total assets	<u><u>207,168</u></u>	<u><u>215,159</u></u>

ITURAN LOCATION AND CONTROL LTD.
CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	June 30, 2018	December 31, 2017
Current liabilities		
Credit from banking institutions	3	48
Accounts payable	19,059	23,264
Deferred revenues	14,045	12,796
Other current liabilities	<u>27,525</u>	<u>29,644</u>
	<u>60,632</u>	<u>65,752</u>
Long-term liabilities		
Liability for employee rights upon retirement	13,245	14,062
Provision for contingencies	513	400
Deferred revenues	612	1,241
Other non-current liabilities	<u>402</u>	<u>475</u>
	<u>14,772</u>	<u>16,178</u>
Stockholders' equity	124,526	125,790
Non-controlling interests	<u>7,238</u>	<u>7,439</u>
Total equity	<u>131,764</u>	<u>133,229</u>
Total liabilities and equity	<u><u>207,168</u></u>	<u><u>215,159</u></u>

ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)	US dollars		US dollars	
	Six month period ended June 30, 2018	2017	Three month period ended June 30, 2018	2017
Revenues:				
Location-based services	87,189	81,437	41,490	41,698
Wireless communications products	<u>33,605</u>	<u>32,010</u>	<u>16,226</u>	<u>15,695</u>
	<u>120,794</u>	<u>113,447</u>	<u>57,716</u>	<u>57,393</u>
Cost of revenues:				
Location-based services	27,839	27,305	13,386	13,814
Wireless communications products	<u>32,571</u>	<u>27,879</u>	<u>15,403</u>	<u>13,397</u>
	<u>60,410</u>	<u>55,184</u>	<u>28,789</u>	<u>27,211</u>
Gross profit	60,384	58,263	28,927	30,182
Research and development expenses	2,099	1,768	939	986
Selling and marketing expenses	5,482	6,278	2,630	3,450
General and administrative expenses	22,590	22,391	10,712	11,629
Other income, net	<u>(118)</u>	<u>(143)</u>	<u>(144)</u>	<u>(55)</u>
Operating income	30,331	27,969	14,790	14,172
Financing income, net	<u>568</u>	<u>841</u>	<u>292</u>	<u>352</u>
Income before income tax	30,899	28,810	15,082	14,524
Income tax expense	(8,510)	(8,444)	(3,853)	(3,868)
Share in gains of affiliated companies, net	<u>2,224</u>	<u>4,489</u>	<u>1,537</u>	<u>489</u>
Net income for the period	24,613	24,855	12,766	11,145
Less: Net income attributable to non-controlling interests	<u>(1,319)</u>	<u>(1,415)</u>	<u>(753)</u>	<u>(692)</u>
Net income attributable to the Company	<u>23,294</u>	<u>23,440</u>	<u>12,013</u>	<u>10,453</u>
Basic and diluted earnings per share attributable to Company's stockholders	<u>1.11</u>	<u>1.12</u>	<u>0.57</u>	<u>0.50</u>
Basic and diluted weighted average number of shares outstanding	<u>20,968</u>	<u>20,968</u>	<u>20,968</u>	<u>20,968</u>

ITURAN LOCATION AND CONTROL LTD.

STATEMENTS OF CASH FLOWS

(in thousands)	US dollars		US dollars	
	Six month period ended June 30, 2018	2017	Three month period ended June 30, 2018	2017
Cash flows from operating activities				
Net income for the period	24,613	24,855	12,766	11,145
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	6,689	6,467	3,066	3,239
Gains in respect of trading marketable securities	(341)	(67)	(145)	(37)
Increase (decrease) in liability for employee rights upon retirement	(73)	488	55	192
Share in gains of affiliated companies, net	(2,224)	(4,489)	(1,537)	(489)
Deferred income taxes	1,819	220	307	109
Capital losses (gains) on sale of property and equipment, net	69	(61)	17	(31)
Increase in accounts receivable	(5,754)	(5,517)	(1,637)	(2,302)
Increase in other current assets	(3,979)	(5,811)	220	(1,675)
Decrease (increase) in inventories	15	(1,464)	585	(599)
Increase (decrease) in accounts payable	(1,863)	1,487	(2,245)	2,630
Increase (decrease) in deferred revenues	(1,927)	2,236	(1,591)	1,151
Increase (decrease) in other current liabilities	2,854	(1,068)	2,501	804
Net cash provided by operating activities	<u>19,898</u>	<u>17,276</u>	<u>12,362</u>	<u>14,137</u>
Cash flows from investment activities				
Decrease (Increase) in funds in respect of employee rights upon retirement, net of withdrawals	153	(363)	(205)	(244)
Capital expenditures	(9,982)	(6,749)	(3,364)	(3,993)
Investment in marketable securities	(22,375)	(3,189)	(20,081)	(1,761)
Sale of marketable securities	24,046	2,119	21,702	940
Investments in affiliated companies	(1,250)	(97)	(1,250)	-
Proceeds from loans to affiliated companies	3,262	562	550	562
Investment in other companies	(897)	(1,061)	(330)	-
Proceed from (invest in) long term deposit	(205)	38	(114)	36
Proceeds from sale of property and equipment	216	181	13	115
Net cash used in investment activities	<u>(7,032)</u>	<u>(8,559)</u>	<u>(3,079)</u>	<u>(4,345)</u>
Cash flows from financing activities				
Short term credit from banking institutions, net	(33)	(7)	6	(406)
Dividend paid	(10,067)	(12,581)	(5,033)	(8,388)
Dividend paid to non-controlling interests	(972)	(752)	(547)	(39)
Net cash used in financing activities	<u>(11,072)</u>	<u>(13,340)</u>	<u>(5,574)</u>	<u>(8,833)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,594)</u>	<u>652</u>	<u>(2,337)</u>	<u>(453)</u>
Net increase (decrease) in cash and cash equivalents	(800)	(3,971)	1,372	506
Balance of cash and cash equivalents at beginning of period	<u>36,906</u>	<u>31,087</u>	<u>34,734</u>	<u>26,610</u>
Balance of cash and cash equivalents at end of the period	<u>36,106</u>	<u>27,116</u>	<u>36,106</u>	<u>27,116</u>
Supplementary information on investing activities not involving cash flows:				

In April 2018, the Company declared a dividend in an amount of US\$ 5 million. The dividend was paid in July 2018.