



ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES

**Consolidated Financial Statements
as of December 31, 2016**



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CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars December 31,	
	2016	2015
Current assets		
Cash and cash equivalents	31,087	27,016
Investment in marketable securities	398	2,035
Accounts receivable (net of allowance for doubtful accounts)	33,865	27,436
Other current assets	35,522	22,437
Inventories	14,351	12,781
	115,223	91,705
Long-term investments and debit balances		
Investments in affiliated company	11,975	4,705
Investments in other company	85	78
Other non-current assets	1,515	1,166
Deferred income taxes	2,280	2,279
Funds in respect of employee rights upon retirement	7,868	7,174
	23,723	15,402
Property and equipment, net	35,644	31,514
Intangible assets, net	23	26
Goodwill	3,406	3,356
Total assets	178,019	142,003

CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars December 31,	
	2016	2015
Current liabilities		
Credit from banking institutions	3	155
Accounts payable	18,624	10,466
Deferred revenues	10,762	9,210
Other current liabilities	26,738	21,750
	56,127	41,581
Long-term liabilities		
Liability for employee rights upon retirement	11,751	10,637
Provision for contingencies	435	622
Deferred revenues	1,034	973
Other non-current liabilities	501	369
	13,721	12,601
Equity:		
Stockholders' equity	102,229	83,698
Non - controlling interest	5,942	4,123
Total equity	108,171	87,821
Total liabilities and shareholders' equity	178,019	142,003

CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)	US dollars		US dollars	
	Year ended December 31,		Three months period ended December 31 ,	
	2016	2015	2016	2015
Revenues:				
Location-based services	141,940	127,683	37,267	32,088
Wireless communications products	57,634	47,945	13,094	11,703
	<u>199,574</u>	<u>175,628</u>	<u>50,361</u>	<u>43,791</u>
Cost of revenues:				
Location-based services	48,916	46,823	12,850	11,897
Wireless communications products	48,627	38,924	11,139	9,616
	<u>97,543</u>	<u>85,747</u>	<u>23,989</u>	<u>21,513</u>
Gross profit	102,031	89,881	26,372	22,278
Research and development expenses	2,895	2,401	813	702
Selling and marketing expenses	10,074	9,303	2,603	2,391
General and administrative expenses	40,228	37,801	10,115	9,126
Other expenses, net	836	(268)	(137)	(251)
Operating income	47,998	40,644	12,978	10,310
Financing income, net	2,056	1,189	810	415
Income before income taxes	50,054	41,833	13,788	10,725
Income tax expenses	(14,877)	(12,822)	(3,932)	(3,165)
Share in gains (losses) of affiliated company, net	(449)	(2,439)	105	(975)
Net income for the period	34,728	26,572	9,961	6,603
Less: Net income attributable to non-controlling interest	(2,589)	(1,601)	(704)	(421)
Net income attributable to the company	<u>32,139</u>	<u>24,971</u>	<u>9,257</u>	<u>6,182</u>
Basic and diluted earnings per Share of attributable to company's Stockholders	<u>1.53</u>	<u>1.19</u>	<u>0.44</u>	<u>0.29</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>

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	US dollars		US dollars	
	Year ended December 31, 2016	2015	Three months period ended December 31 , 2016	2015
Cash flows from operating activities				
Net income for the period	34,728	26,572	9,961	6,603
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation, amortization and impairment of goodwill	11,635	11,962	3,065	3,840
Gain from sale of subsidiary, net	-	(951)	-	(951)
Loss (gains) in respect of trading marketable securities	(115)	(666)	(20)	(238)
Increase in liability for employee rights upon retirement	1,024	717	64	215
Share in losses (gains) of affiliated company, net	449	2,439	(105)	957
Deferred income taxes	(1,114)	(85)	(278)	(1,025)
Capital (gain) losses on sale of property and equipment, net	(52)	(31)	(34)	(21)
Decrease (increase) in accounts receivable	(6,115)	117	1,355	201
Decrease (increase) in other current and non-current assets	(10,473)	(879)	(1,393)	(794)
Decrease (increase) in inventories	(1,424)	(658)	(698)	(909)
Increase (decrease) in accounts payable	7,814	(1,176)	2,978	(84)
Increase (decrease) in deferred revenues	1,496	(246)	(161)	618
Increase (decrease) in other current and non-current liabilities	3,619	(1,201)	(369)	(739)
Net cash provided by operating activities	41,472	35,914	14,365	7,673
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(644)	(804)	(62)	(229)
Capital expenditures	(13,645)	(18,724)	(4,596)	(3,592)
Investment in marketable securities	(3,154)	(11)	(1,078)	(11)
Investments in affiliated company	(8,920)	(5,966)	(1,739)	(1,327)
Repayment of loans from affiliated companies	1,512	-	1,512	-
Sale of subsidiary	-	(266)	-	(266)
Proceed from (invest in) long term deposit	16	(341)	-	(20)
Sale of marketable securities	4,633	-	1,018	-
Proceeds from sale of property and equipment	342	406	209	(277)
Net cash used in investment activities	(19,860)	(25,706)	(4,736)	(5,722)
Cash flows from financing activities				
Short term credit from banking institutions, net	(152)	160	-	(287)
Dividend paid	(17,088)	(17,590)	(3,774)	(2,861)
Dividend payment to non-controlling interest	(994)	(1,229)	(54)	-
Net cash used in financing activities	(18,234)	(18,659)	(3,828)	(3,148)
Effect of exchange rate changes on cash and cash equivalents	693	(2,951)	(346)	(1,221)
Net Increase(decrease) in cash and cash equivalents	4,071	(11,402)	5,455	(2,418)
Balance of cash and cash equivalents at beginning of period	27,016	38,418	25,632	29,434
Balance of cash and cash equivalents at end of period	31,087	27,016	31,087	27,016

Supplementary information on financing and investing activities not involving cash flows:

During the years 2016 and 2015, the company purchased property and equipment in an amount of US\$ 224 thousand and US\$ 40 thousand, respectively, using a directly related liability.

In November 2016, the Company declared a dividend in an amount of US\$ 4.1 million. The dividend was paid in January 2017.

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