



ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES

**Consolidated Financial Statements
as of December 31, 2015**



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CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars December 31,	
	2015	2014
Current assets		
Cash and cash equivalents	27,016	38,418
Investment in marketable securities	2,035	2,362
Accounts receivable (net of allowance for doubtful accounts)	27,436	27,960
Other current assets	22,437	22,318
Inventories	12,781	12,164
	91,705	103,222
Long-term investments and debit balances		
Investments in affiliated company	4,705	1,016
Investments in other company	78	79
Other non-current assets	1,166	2,091
Deferred income taxes	2,279	2,886
Funds in respect of employee rights upon retirement	7,174	6,642
	15,402	12,714
Property and equipment, net	31,514	31,908
Intangible assets, net	26	452
Goodwill	3,356	4,041
Total assets	142,003	152,337

CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	December 31,	
	2015	2014
Current liabilities		
Credit from banking institutions	155	-
Accounts payable	10,466	11,658
Deferred revenues	9,210	9,401
Other current liabilities	21,750	25,253
	41,581	46,312
Long-term liabilities		
Liability for employee rights upon retirement	10,637	10,229
Provision for contingencies	622	-
Deferred revenues	973	1,063
Deferred income taxes	-	150
Other non-current liabilities	369	-
	12,601	11,442
Equity:		
Stockholders' equity	83,698	90,696
Non - controlling interest	4,123	3,887
Total equity	87,821	94,583
Total liabilities and shareholders' equity	142,003	152,337

CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)	US dollars		US dollars	
	Year ended December 31,		Three months period ended December 31 ,	
	2015	2014	2015	2014
Revenues:				
Location-based services	127,683	133,692	32,088	32,955
Wireless communications products	47,945	48,435	11,703	10,592
	<u>175,628</u>	<u>182,127</u>	<u>43,791</u>	<u>43,547</u>
Cost of revenues:				
Location-based services	46,823	46,852	11,897	11,325
Wireless communications products	38,924	38,142	9,616	8,531
	<u>85,747</u>	<u>84,994</u>	<u>21,513</u>	<u>19,856</u>
Gross profit	89,881	97,133	22,278	23,691
Research and development expenses	2,401	2,526	702	631
Selling and marketing expenses	9,303	9,264	2,391	2,481
General and administrative expenses	37,801	38,617	9,126	9,667
Other expenses, net	(268)	856	(251)	919
Operating income	40,644	45,870	10,310	9,993
Financing income, net	1,189	1,704	415	489
Income before income taxes	41,833	47,574	10,725	10,482
Income tax expenses	(12,822)	(14,246)	(3,165)	(2,873)
Share in losses of affiliated company, net	(2,439)	(421)	(957)	(113)
Net income for the period	26,572	32,907	6,603	7,496
Less: Net income attributable to non-controlling interest	(1,601)	(2,478)	(421)	(482)
Net income attributable to the company	<u>24,971</u>	<u>30,429</u>	<u>6,182</u>	<u>7,014</u>
Basic and diluted earnings per Share of attributable to company's Stockholders	<u>1.19</u>	<u>1.45</u>	<u>0.29</u>	<u>0.33</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,		Three months period ended December 31 ,	
	2015	2014	2015	2014
Cash flows from operating activities				
Net income for the period	26,572	32,907	6,603	7,496
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation, amortization and impairment of goodwill	11,962	12,219	3,840	4,088
Gain from sale of subsidiary, net (Appendix A)	(951)	-	(951)	-
Exchange differences on principal of deposit and loans, net	-	(23)	-	-
Loss (gains) in respect of trading marketable securities	(666)	(133)	(238)	138
Increase in liability for employee rights upon retirement	717	1,655	215	361
Share in losses of affiliated company, net	2,439	421	957	113
Deferred income taxes	1,731	(737)	791	472
Capital (gain) losses on sale of property and equipment, net	(31)	(270)	(21)	(251)
Decrease (increase) in accounts receivable	117	(1,864)	201	1,004
Decrease (increase) in other current and non-current assets	(2,695)	(4,749)	(2,610)	(3,979)
Decrease (increase) in inventories	(658)	783	(909)	(1,454)
Increase (decrease) in accounts payable	(1,176)	927	(84)	1,839
Increase (decrease) in deferred revenues	(246)	749	618	961
Increase (decrease) in other current and non-current liabilities	(1,201)	(4,154)	(739)	(3,601)
Net cash provided by operating activities	35,914	37,731	7,673	7,187
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement				
Net of withdrawals	(804)	(708)	(229)	(168)
Capital expenditures	(18,724)	(14,976)	(3,986)	(5,611)
Investment in marketable securities	(11)	(2,771)	(11)	-
Investments in affiliated company	(5,966)	-	(1,327)	-
Subsidiary no longer consolidated (Appendix A)	(266)	-	(266)	-
Deposit in escrow	-	5,005	-	-
Sale of (investment in) deposit	(341)	(283)	(20)	(160)
Proceeds from sale of property and equipment	406	489	117	363
Net cash used in investment activities	(25,706)	(13,244)	(5,722)	(5,576)
Cash flows from financing activities				
Short term credit from banking institutions, net	160	(38)	(287)	(2)
Acquisition of non-controlling interests	-	(500)	-	-
Dividend payment	(17,590)	(19,324)	(2,861)	(3,843)
Dividend payment to non-controlling interest	(1,229)	(2,564)	-	(502)
Net cash used in financing activities	(18,659)	(22,426)	(3,148)	(4,347)
Effect of exchange rate changes on cash and cash equivalents	(2,951)	(5,340)	(1,221)	(1,850)
Net Increase(decrease) in cash and cash equivalents	(11,402)	(3,279)	(2,418)	(4,586)
Balance of cash and cash equivalents at beginning of period	38,418	41,697	29,434	43,004
Balance of cash and cash equivalents at end of period	27,016	38,418	27,016	38,418

CONSOLIDATED STATEMENTS OF CASH FLOWS

Appendix A – Company no longer consolidated

(in thousands)	US dollars Year ended December 31, 2015
Working capital (excluding cash and cash equivalents), net	1,215
Funds in respect of employee rights upon retirement	(250)
Property and equipment , net	(23)
Liability for employee rights upon retirement	275
Gain from sale of subsidiary	(951)
	<u>266</u>

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