



ITURAN LOCATION AND CONTROL LTD. AND ITS SUBSIDIARIES

Consolidated Financial Statements

as of December 31, 2017



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CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	2017	December 31, 2016
Current assets		
Cash and cash equivalents	36,906	31,087
Investment in marketable securities	3,559	398
Accounts receivable (net of allowance for doubtful accounts)	41,009	33,865
Other current assets	47,932	35,522
Inventories	14,244	14,351
	143,650	115,223
Long-term investments and debit balances		
Investments in affiliated companies	14,839	11,975
Investments in other companies	1,382	85
Other non-current assets	939	1,515
Deferred income taxes	1,860	2,280
Funds in respect of employee rights upon retirement	9,627	7,868
	28,647	23,723
Property and equipment, net	39,047	35,644
Intangible assets, net	38	23
Goodwill	3,777	3,406
Total assets	215,159	178,019

CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars December 31,	
	2017	2016
Current liabilities		
Credit from banking institutions	48	3
Accounts payable	23,264	18,624
Deferred revenues	12,796	10,762
Other current liabilities	29,644	26,738
	65,752	56,127
Long-term liabilities		
Liability for employee rights upon retirement	14,062	11,751
Provision for contingencies	400	435
Deferred revenues	1,241	1,034
Other non-current liabilities	475	501
	16,178	13,721
Equity:		
Stockholders' equity	125,790	102,229
Non - controlling interest	7,439	5,942
Total equity	133,229	108,171
Total liabilities and shareholders' equity	215,159	178,019



CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)	US dollars		US dollars	
	Year ended December 31,		Three months period ended December 31 ,	
	2017	2016	2017	2016
Revenues:				
Location-based services	169,752	141,940	44,468	37,267
Wireless communications products	<u>68,773</u>	<u>57,634</u>	<u>16,822</u>	<u>13,094</u>
	<u>238,525</u>	<u>199,574</u>	<u>61,290</u>	<u>50,361</u>
Cost of revenues:				
Location-based services	56,572	48,916	14,683	12,850
Wireless communications products	<u>62,569</u>	<u>48,627</u>	<u>16,030</u>	<u>11,139</u>
	<u>119,141</u>	<u>97,543</u>	<u>30,713</u>	<u>23,989</u>
Gross profit	119,384	102,031	30,577	26,372
Research and development expenses	3,160	2,895	716	813
Selling and marketing expenses	12,246	10,074	2,695	2,603
General and administrative expenses	47,590	40,228	12,494	10,115
Other expenses (income), net	<u>(147)</u>	<u>836</u>	<u>(1)</u>	<u>(137)</u>
Operating income	56,535	47,998	14,673	12,978
Financing income (expenses), net	<u>(989)</u>	<u>2,056</u>	<u>(2,080)</u>	<u>810</u>
Income before income taxes	55,546	50,054	12,593	13,788
Income tax expenses	(17,705)	(14,877)	(5,317)	(3,932)
Share in gains (losses) of affiliated company, net	<u>8,520</u>	<u>(449)</u>	<u>3,033</u>	<u>105</u>
Net income for the period	46,361	34,728	10,309	9,961
Less: Net income attributable to non-controlling interest	<u>(2,567)</u>	<u>(2,589)</u>	<u>(485)</u>	<u>(704)</u>
Net income attributable to the company	<u>43,794</u>	<u>32,139</u>	<u>9,824</u>	<u>9,257</u>
Basic and diluted earnings per share attributable to Company's stockholders	<u>2.09</u>	<u>1.53</u>	<u>0.47</u>	<u>0.44</u>
Basic and diluted weighted average Number of shares outstanding (in thousands)	<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 ,	
	2017	2016	2017	2016
Cash flows from operating activities				
Net income for the period	46,361	34,728	10,309	9,961
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation, amortization and impairment of goodwill	13,519	11,635	3,537	3,065
Loss (gains) in respect of trading marketable securities	(397)	(115)	(196)	(20)
Increase in liability for employee rights upon retirement	1,025	890	198	(70)
Share in losses (gains) of affiliated company, net	(8,520)	449	(3,033)	(105)
Deferred income taxes	(516)	(1,114)	(248)	(278)
Capital (gain) losses on sale of property and equipment, net	(1)	(52)	56	(34)
Decrease (increase) in accounts receivable	(4,769)	(4,552)	4,139	2,918
increase in other current and non-current assets	(11,517)	(5,033)	(3,323)	4,047
Decrease (increase) in inventories	1,632	(1,424)	1,087	(698)
Increase in accounts payable	3,751	5,884	2,084	1,048
Increase (decrease) in deferred revenues	2,238	(1,122)	(448)	(2,779)
Increase (decrease) in other current and non-current liabilities	1,101	1,298	566	(2,690)
Net cash provided by operating activities	43,907	41,472	14,728	14,365
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(844)	(644)	(225)	(62)
Capital expenditures	(16,159)	(13,645)	(5,363)	(4,596)
Investment in marketable securities	(8,623)	(3,154)	(2,016)	(1,078)
Investments in affiliated companies	(900)	(8,920)	(803)	(1,739)
Investments in other companies	(1,274)	-	(213)	-
Repayment of loans from affiliated companies	6,982	1,512	2,677	1,512
Proceed from long term deposit	450	16	318	-
Sale of marketable securities	5,368	4,633	1,944	1,018
Proceeds from sale of property and equipment	315	342	10	209
Net cash used in investment activities	(14,685)	(19,860)	(3,671)	(4,736)
Cash flows from financing activities				
Short term credit from banking institutions, net	23	(152)	(102)	-
Dividend paid	(22,645)	(17,088)	(5,032)	(3,774)
Dividend paid to non-controlling interest	(1,644)	(994)	(472)	(54)
Net cash provided by (used in) in financing activities	(24,266)	(18,234)	(5,606)	(3,828)
Effect of exchange rate changes on cash and cash equivalents	863	693	(366)	(346)
Net Increase (decrease) in cash and cash equivalents	5,819	4,071	5,085	5,455
Balance of cash and cash equivalents at beginning of period	31,087	27,016	31,821	25,632
Balance of cash and cash equivalents at end of period	36,906	31,087	36,906	31,087

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

During the years 2017 and 2016, the company purchased property and equipment in an amount of US\$ 373 thousand and US\$ 224 thousand, respectively, using a directly related liability.

In November 2017, the Company declared a dividend in an amount of US\$ 5 million. The dividend was paid in January 2018.