

ITURAN LOCATION AND CONTROL LTD.

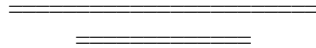
**Consolidated Interim Financial Statements
as of March 31, 2015**

ITURAN LOCATION AND CONTROL LTD.

Consolidated Financial Statements as of March 31, 2015

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ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED BALANCE SHEETS

	US dollars	
(in thousands)	March 31, 2015	December 31, 2014
Current assets		
Cash and cash equivalents	32,908	38,418
Investments in marketable securities	2,379	2,362
Accounts receivable (net of allowance for doubtful accounts)	28,755	27,960
Other current assets	23,566	22,318
Inventories	<u>11,226</u>	<u>12,164</u>
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Long-term investments and other assets		
Investments in affiliated companies	1,943	1,016
Investments in other company	77	79
Other non-current assets	1,768	2,091
Deferred income taxes	2,955	2,886
Funds in respect of employee rights upon retirement	<u>6,753</u>	<u>6,642</u>
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Property and equipment, net	<u>31,841</u>	<u>31,908</u>
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Intangible assets, net	<u>405</u>	<u>452</u>
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Goodwill	<u>3,948</u>	<u>4,041</u>
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 Total assets	 <u><u>148,524</u></u>	 <u><u>152,337</u></u>

ITURAN LOCATION AND CONTROL LTD.**CONSOLIDATED BALANCE SHEETS**

	US dollars	
(in thousands)	March 31, 2015	December 31, 2014
Current liabilities		
Accounts payable	11,748	11,658
Deferred revenues	8,943	9,401
Other current liabilities	<u>25,757</u>	<u>23,880</u>
	<u>46,448</u>	<u>44,939</u>
Long-term liabilities		
Liability for employee rights upon retirement	10,376	10,229
Provision for contingencies	1,273	1,373
Deferred revenues	886	1,063
Deferred income taxes	136	150
Others	<u>313</u>	<u>-</u>
	<u>12,984</u>	<u>12,815</u>
Stockholders' equity	85,325	90,696
Non-controlling interests	<u>3,767</u>	<u>3,887</u>
Total equity	<u>89,092</u>	<u>94,583</u>
Total liabilities and equity	<u><u>148,524</u></u>	<u><u>152,337</u></u>

ITURAN LOCATION AND CONTROL LTD.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)	US dollars	
	Three month period ended March 31,	
	2015	2014
Revenues:		
Location-based services	31,948	32,180
Wireless communications products	<u>12,252</u>	<u>13,280</u>
	<u>44,200</u>	<u>45,460</u>
Cost of revenues:		
Location-based services	11,301	11,085
Wireless communications products	<u>9,537</u>	<u>10,631</u>
	<u>20,838</u>	<u>21,716</u>
Gross profit	23,362	23,744
Research and development expenses	490	591
Selling and marketing expenses	2,396	2,285
General and administrative expenses	9,963	9,203
Other income, net	<u>(12)</u>	<u>(35)</u>
Operating income	10,525	11,700
Financing income, net	<u>471</u>	<u>125</u>
Income before income tax	10,996	11,825
Income tax expenses	(3,339)	(3,920)
Share in losses of affiliated companies ,net	<u>(307)</u>	<u>-</u>
Net income for the period	7,350	7,905
Less: Net income attributable to non-controlling interest	<u>(539)</u>	<u>(577)</u>
Net income attributable to the Company	<u>6,811</u>	<u>7,328</u>
Basic and diluted earnings per share attributable to Company's stockholders	<u>0.33</u>	<u>0.35</u>
Basic and diluted weighted average number of shares outstanding (in thousands)	<u>20,968</u>	<u>20,968</u>

ITURAN LOCATION AND CONTROL LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	US dollars	
	Three month period ended March 31,	
	2015	2014
Cash flows from operating activities		
Net income for the period	7,350	7,905
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation amortization and impairment of goodwill	2,673	2,693
Exchange differences on principal of deposit and loans, net	-	(23)
Losses (gain) in respect of trading marketable securities	(89)	105
Increase in liability for employee rights upon retirement	381	520
Share in losses of affiliated companies, net	307	-
Others	170	-
Deferred income taxes	(5)	(472)
Capital gains on sale of property and equipment, net	(5)	(46)
Increase in accounts receivable	(1,434)	(4,195)
Increase in other current assets	(1,678)	(2,007)
Decrease in inventories	660	2,639
Increase (decrease) in accounts payable	866	(419)
Increase(decrease) in deferred revenues	(396)	928
Increase(decrease) in other current liabilities	(73)	2,053
Net cash provided by operating activities	8,727	9,681
Cash flows from investment activities		
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(263)	(158)
Capital expenditures	(6,837)	(3,022)
Investments in affiliated companies	(1,270)	-
Investments in marketable securities	-	(2,783)
Deposit	(160)	(156)
Proceeds from sale of property and equipment	499	230
Net cash used in investment activities	(8,031)	(5,889)
Cash flows from financing activities		
Short term credit from banking institutions, net	-	1,201
Dividend paid	(4,423)	(3,616)
Dividend paid to non-controlling interest	(536)	(736)
Net cash provided by (used in) financing activities	(4,959)	(3,151)
Effect of exchange rate changes on cash and cash equivalents	(1,247)	(986)
Net increase (decrease) in cash and cash equivalents	(5,510)	(345)
Balance of cash and cash equivalents at beginning of the period	38,418	41,697
Balance of cash and cash equivalents at end of the period	32,908	41,352

Supplementary information on investing activities not involving cash flows:

In February 2015, the Company declared a dividend in an amount of US\$ 7 million. The dividend will be paid in April 2015.

During the three month period ended March 31, 2015, the Company purchased property and equipment in an amount of US\$ 509 thousand using a directly related liability.