

ITURAN LOCATION AND CONTROL LTD.

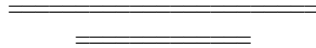
**Consolidated Interim Financial Statements
as of March 31, 2016**

ITURAN LOCATION AND CONTROL LTD.

Consolidated Financial Statements as of March 31, 2016

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ITURAN LOCATION AND CONTROL LTD.
CONSOLIDATED BALANCE SHEETS

| | US dollars | |
|--|--------------------|----------------------|
| (in thousands) | March 31, 2016 | December 31, 2015 |
| Current assets | | |
| Cash and cash equivalents | 26,812 | 27,016 |
| Investments in marketable securities | 348 | 2,035 |
| Accounts receivable (net of allowance for doubtful accounts) | 34,901 | 27,436 |
| Other current assets | 28,047 | 22,437 |
| Inventories | <u>13,166</u> | <u>12,781</u> |
| | ----- | ----- |
| | 103,274 | 91,705 |
| Long-term investments and other assets | | |
| Investments in affiliated companies | 5,467 | 4,705 |
| Investments in other company | 81 | 78 |
| Other non-current assets | 1,344 | 1,166 |
| Deferred income taxes | 2,312 | 2,279 |
| Funds in respect of employee rights upon retirement | <u>7,631</u> | <u>7,174</u> |
| | ----- | ----- |
| | 16,835 | 15,402 |
| Property and equipment, net | <u>32,291</u> | <u>31,514</u> |
| | ----- | ----- |
| Intangible assets, net | <u>26</u> | <u>26</u> |
| | ----- | ----- |
| Goodwill | <u>3,477</u> | <u>3,356</u> |
| | ----- | ----- |
| Total assets | <u>155,903</u> | <u>142,003</u> |

ITURAN LOCATION AND CONTROL LTD.
CONSOLIDATED BALANCE SHEETS

| | US dollars | |
|---|-------------------|----------------------|
| (in thousands) | March 31, 2016 | December 31, 2015 |
| Current liabilities | | |
| Credit from banking institutions | 3 | 155 |
| Accounts payable | 13,218 | 10,466 |
| Deferred revenues | 10,782 | 9,210 |
| Other current liabilities | 26,877 | 21,750 |
| | 50,880 | 41,581 |
| Long-term liabilities | | |
| Liability for employee rights upon retirement | 11,355 | 10,637 |
| Provision for contingencies | 402 | 622 |
| Deferred revenues | 1,089 | 973 |
| Others non-current | 479 | 369 |
| | 13,325 | 12,601 |
| Stockholders' equity | 87,389 | 83,698 |
| Non-controlling interests | 4,309 | 4,123 |
| Total equity | 91,698 | 87,821 |
| | | |
| Total liabilities and equity | 155,903 | 142,003 |

ITURAN LOCATION AND CONTROL LTD.
CONSOLIDATED STATEMENTS OF INCOME

| (in thousands except per share data) | US dollars | |
|--|---|---------------|
| | Three month period ended March 31, | |
| | 2016 | 2015 |
| Revenues: | | |
| Location-based services | 32,155 | 31,948 |
| Wireless communications products | <u>15,044</u> | <u>12,252</u> |
| | <u>47,199</u> | <u>44,200</u> |
| Cost of revenues: | | |
| Location-based services | 11,221 | 11,301 |
| Wireless communications products | <u>12,188</u> | <u>9,537</u> |
| | <u>23,409</u> | <u>20,838</u> |
| Gross profit | 23,790 | 23,362 |
| Research and development expenses | 675 | 490 |
| Selling and marketing expenses | 2,378 | 2,396 |
| General and administrative expenses | 9,271 | 9,963 |
| Other income, net | <u>(43)</u> | <u>(12)</u> |
| Operating income | 11,509 | 10,525 |
| Financing income, net | <u>68</u> | <u>471</u> |
| Income before income tax | 11,577 | 10,996 |
| Income tax expenses | (3,215) | (3,339) |
| Share in losses of affiliated companies ,net | <u>(692)</u> | <u>(307)</u> |
| Net income for the period | 7,670 | 7,350 |
| Less: Net income attributable to non-controlling interest | <u>(571)</u> | <u>(539)</u> |
| Net income attributable to the Company | <u>7,099</u> | <u>6,811</u> |
| | | |
| Basic and diluted earnings per share attributable to Company's stockholders | <u>0.34</u> | <u>0.33</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, | |
| | 2016 | 2015 |
| Cash flows from operating activities | | |
| Net income for the period | 7,670 | 7,350 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation amortization and impairment of goodwill | 2,611 | 2,673 |
| Gain in respect of trading marketable securities | (34) | (89) |
| Increase in liability for employee rights upon retirement | 371 | 381 |
| Share in losses of affiliated companies, net | 692 | 307 |
| Others | - | 170 |
| Deferred income taxes | (692) | (5) |
| Capital gains on sale of property and equipment, net | (10) | (5) |
| Increase in accounts receivable | (6,569) | (1,434) |
| Increase in other current assets | (3,230) | (1,678) |
| Decrease in inventories | 32 | 660 |
| Increase in accounts payable | 2,480 | 866 |
| Increase(decrease) in deferred revenues | 1,355 | (396) |
| Increase(decrease) in other current liabilities | 748 | (73) |
| Net cash provided by operating activities | 5,424 | 8,727 |
| Cash flows from investment activities | | |
| Increase in funds in respect of employee rights upon retirement, net of withdrawals | (223) | (263) |
| Capital expenditures | (2,211) | (6,837) |
| Investments in affiliated companies | (1,408) | (1,270) |
| Investments in marketable securities | (344) | - |
| Sale of marketable securities | 1,858 | - |
| Deposit | (63) | (160) |
| Proceeds from sale of property and equipment | 90 | 499 |
| Net cash used in investment activities | (2,301) | (8,031) |
| Cash flows from financing activities | | |
| Short term credit from banking institutions, net | (152) | - |
| Dividend paid | (3,120) | (4,423) |
| Dividend paid to non-controlling interest | (617) | (536) |
| Net cash provided by (used in) financing activities | (3,889) | (4,959) |
| Effect of exchange rate changes on cash and cash equivalents | 562 | (1,247) |
| Net decrease in cash and cash equivalents | (204) | (5,510) |
| Balance of cash and cash equivalents at beginning of the period | 27,016 | 38,418 |
| Balance of cash and cash equivalents at end of the period | 26,812 | 32,908 |

Supplementary information on investing activities not involving cash flows:

In February 2016, the Company declared a dividend in an amount of US\$ 6.5 million. The dividend will be paid in April 2016.

During the three month period ended March 31, 2016, the Company purchased property and equipment in an amount of US\$ 70 thousand using a directly related liability.