

ITURAN LOCATION AND CONTROL LTD.

**Condensed Consolidated Financial Statements
as of June 30, 2019**

ITURAN LOCATION AND CONTROL LTD.

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ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

	US dollars	
(in thousands)	June 30, 2019	December 31, 2018
	(unaudited)	
Current assets		
Cash and cash equivalents	62,391	51,398
Investments in marketable securities	441	1,897
Accounts receivable (net of allowance for doubtful accounts)	51,205	54,261
Other current assets	49,150	52,983
Inventories	26,980	28,367
	<u>190,167</u>	<u>188,906</u>
Non- Current investments and other assets		
Investments in affiliated companies	2,998	4,872
Investments in other companies	3,014	2,772
Other non-current assets	3,858	3,222
Deferred income taxes	11,323	12,127
Funds in respect of employee rights upon retirement	10,888	9,497
	<u>32,081</u>	<u>32,490</u>
Property and equipment, net	<u>50,804</u>	<u>50,460</u>
Operating lease right-of-use assets, net	<u>6,962</u>	-
Intangible assets, net	<u>38,582</u>	<u>39,040</u>
Goodwill	<u>63,074</u>	<u>62,896</u>
Total assets	<u><u>381,670</u></u>	<u><u>373,792</u></u>

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS (cont.)

(in thousands)	US dollars	
	June 30, 2019	December 31 2018
	(unaudited)	
Current liabilities		
Credit from banking institutions	19,200	10,559
Accounts payable	23,879	23,987
Deferred revenues	30,995	37,671
Operating lease liabilities, current	2,724	-
Other current liabilities	<u>30,926</u>	<u>32,475</u>
	<u>107,724</u>	<u>104,692</u>
Non- Current liabilities		
Long term loan	57,042	62,622
Liability for employee rights upon retirement	16,603	14,801
Provision for contingencies	174	201
Deferred income taxes	5,273	6,458
Deferred revenues	9,353	8,221
Others non-current liabilities	348	325
Operating lease liabilities, non-current	4,238	-
Obligation to purchase non-controlling interests	<u>16,653</u>	<u>16,272</u>
	<u>109,684</u>	<u>108,900</u>
Stockholders' equity	157,972	153,693
Non-controlling interests	<u>6,290</u>	<u>6,507</u>
Total equity	<u>164,262</u>	<u>160,200</u>
Total liabilities and equity	<u><u>381,670</u></u>	<u><u>373,792</u></u>

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)	US dollars		US dollars	
	Six month period ended June 30,		Three month period ended June 30,	
	2019	2018	2019	2018
Revenues:				
Telematics services	104,825	87,189	51,666	41,490
Telematics products	<u>40,021</u>	<u>33,605</u>	<u>19,576</u>	<u>16,226</u>
	<u>144,846</u>	<u>120,794</u>	<u>71,242</u>	<u>57,716</u>
Cost of revenues:				
Telematics services	45,094	31,056	22,517	14,975
Telematics products	<u>31,604</u>	<u>29,354</u>	<u>15,214</u>	<u>13,814</u>
	<u>76,698</u>	<u>60,410</u>	<u>37,731</u>	<u>28,789</u>
Gross profit	68,148	60,384	33,511	28,927
Research and development expenses	7,128	2,099	3,377	939
Selling and marketing expenses	6,303	5,482	3,373	2,630
General and administrative expenses	27,597	22,590	13,151	10,712
Other expense (income), net	<u>5</u>	<u>(118)</u>	<u>1</u>	<u>(144)</u>
Operating income	27,115	30,331	13,609	14,790
Other income (expense), net	(48)	-	25	-
Financing income (expense), net	<u>(1,854)</u>	<u>568</u>	<u>(839)</u>	<u>292</u>
Income before income tax	25,213	30,899	12,795	15,082
Income tax expenses	(7,189)	(8,510)	(3,692)	(3,853)
Share in gains (losses) of affiliated companies ,net	<u>(1,971)</u>	<u>2,224</u>	<u>(1,103)</u>	<u>1,537</u>
Net income for the period	16,053	24,613	8,000	12,766
Less: Net income attributable to non-controlling interest	<u>(302)</u>	<u>(1,319)</u>	<u>(306)</u>	<u>(753)</u>
Net income attributable to the Company	<u>15,751</u>	<u>23,294</u>	<u>7,694</u>	<u>12,013</u>
Basic and diluted earnings per share attributable to Company's stockholders				
	<u>0.74</u>	<u>1.11</u>	<u>0.37</u>	<u>0.57</u>
Basic and diluted weighted average number of shares outstanding (in thousands)				
	<u>21,146</u>	<u>20,968</u>	<u>21,041</u>	<u>20,968</u>

ITURAN LOCATION AND CONTROL LTD.

RECONCILIATION OF NON-GAAP RESULTS

(in thousands except per share data)	US dollars		US dollars	
	Six months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
GAAP Revenues:	144,846	120,794	71,242	57,716
Valuation adjustment on acquired deferred revenue	2,004	-	985	-
Non –GAAP revenue	<u>146,850</u>	<u>120,794</u>	<u>72,227</u>	<u>57,716</u>
GAAP gross profit	68,148	60,384	33,511	28,927
Valuation adjustment on acquired deferred revenue	2,224	-	985	-
Non –GAAP gross profit	<u>70,372</u>	<u>60,384</u>	<u>34,496</u>	<u>28,927</u>
GAAP operating income	27,115	30,331	13,609	14,790
Operation profit adjustments	2,752		1,206	
Amortization of other intangible assets	1,799	-	699	-
Non-GAAP operating income	<u>31,666</u>	<u>30,331</u>	<u>15,514</u>	<u>14,790</u>
Depreciation and amortization	<u>9,780</u>	<u>6,689</u>	<u>5,081</u>	<u>3,066</u>
Adjusted EBITDA	<u>41,446</u>	<u>37,020</u>	<u>20,595</u>	<u>17,856</u>
Net income attribute to the company's shareholders	15,751	23,294	7,694	12,013
Operation income adjustment	4,551	-	1,905	-
Other income, net	-	-	-	-
Non-GAAP net income attributable to Iturans' shareholders	<u>20,302</u>	<u>23,294</u>	<u>9,599</u>	<u>12,013</u>

ITURAN LOCATION AND CONTROL LTD.

Summary of NON –GAAP Financial Information

(in thousands)	US dollars		US dollars	
	Six month period ended June 30,		Three month period ended June 30,	
	2019	2018	2019	2018
Revenue	146,850	120,794	72,227	57,716
Gross profit	70,372	60,384	34,496	28,927
Operation income	31,666	30,331	15,514	14,790
Net income attribute to shareholders	20,302	23,294	9,599	12,013
Adjusted EBITDA	41,446	37,020	20,595	17,856
Basic and diluted earnings per share	0.96	1.11	0.46	0.57

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	US dollars		US dollars	
	Six month period ended June 30,		Three month period ended June 30,	
	2019	2018	2019	2018
Cash flows from operating activities				
Net income for the period	16,053	24,613	8,000	12,766
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	11,579	6,689	5,464	3,066
Interest and exchange rate differences on loans	31	-	44	-
Losses (gain) in respect of trading marketable securities	2	(341)	(26)	(145)
Increase (decrease) in liability for employee rights upon retirement	1,179	(73)	905	55
Share in losses (gains) of affiliated companies, net	1,971	(2,224)	1,103	(1,537)
Deferred income taxes	(17)	1,819	(101)	307
Capital gains on sale of property and equipment, net	14	69	8	17
Decrease (increase) in accounts receivable	4,558	(5,754)	(371)	(1,637)
Decrease (increase) in other current assets	2,314	(3,979)	2,615	220
Decrease in inventories	2,005	15	713	585
Operating lease right-of-use assets	2,036	-	843	-
Increase (decrease) in accounts payable	(347)	(1,863)	1,249	(2,245)
Decrease in deferred revenues	(6,143)	(1,927)	(3,595)	(1,591)
Increase (decrease) in other current liabilities	(2,678)	2,854	100	2,501
Operating lease liabilities	(2,036)	-	(843)	-
Increase in obligation for purchase non-controlling interests	702	-	208	-
Net cash provided by operating activities	<u>31,223</u>	<u>19,898</u>	<u>16,316</u>	<u>12,362</u>
Cash flows from investment activities				
Decrease (increase) in funds in respect of employee rights upon retirement, net of withdrawals	(956)	153	(881)	(205)
Capital expenditures	(10,375)	(9,982)	(3,445)	(3,364)
Investments in affiliated companies	(55)	(1,250)	(55)	(1,250)
Investments in other companies	(129)	(897)	(116)	(330)
Sale of marketable securities, net	1,454	1,671	1,070	1,621
Proceed from long term deposit	(152)	(205)	(74)	(114)
Proceeds from loans to affiliated companies	-	3,262	-	550
Proceeds from sale of property and equipment	35	216	8	13
Net cash used in investment activities	<u>(10,178)</u>	<u>(7,032)</u>	<u>(3,493)</u>	<u>(3,079)</u>
Cash flows from financing activities				
Short term credit from banking institutions, net	(611)	(33)	1,207	6
Dividend paid	(9,748)	(10,067)	(4,839)	(5,033)
Dividend paid to non-controlling interest	(809)	(972)	(271)	(547)
Net cash used in financing activities	<u>(11,168)</u>	<u>(11,072)</u>	<u>(3,903)</u>	<u>(5,574)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,116</u>	<u>(2,594)</u>	<u>422</u>	<u>(2,337)</u>
Net increase in cash and cash equivalents	10,993	(800)	9,342	1,372
Balance of cash and cash equivalents at beginning of the period	<u>51,398</u>	<u>36,906</u>	<u>53,049</u>	<u>34,734</u>
Balance of cash and cash equivalents at end of the period	<u><u>62,391</u></u>	<u><u>36,106</u></u>	<u><u>62,391</u></u>	<u><u>36,106</u></u>

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

In May 2019, the Company declared a dividend in an amount of US\$ 5 million. The dividend was paid in July 2019.