

ITURAN LOCATION AND CONTROL LTD.

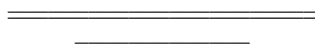
**Condensed Consolidated Financial Statements
as of December 31, 2018**

ITURAN LOCATION AND CONTROL LTD.

Condensed Consolidated Financial Statements as of December 31, 2018

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ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	December 31,	
	2018	2017
Current assets		
Cash and cash equivalents	51,398	36,906
Investments in marketable securities	1,897	3,559
Accounts receivable (net of allowance for doubtful accounts)	54,261	41,009
Other current assets	52,983	41,394
Inventories	28,367	14,244
	<u>188,906</u>	<u>137,112</u>
Long-term investments and other assets		
Investments in affiliated companies	8,574	14,839
Investments in other companies	2,772	1,382
Other non-current assets	3,222	939
Deferred income taxes	12,127	8,398
Funds in respect of employee rights upon retirement	9,497	9,627
	<u>36,192</u>	<u>35,185</u>
Property and equipment, net	<u>50,460</u>	<u>39,047</u>
Intangible assets, net (*)	<u>39,040</u>	<u>38</u>
Goodwill (*)	<u>69,874</u>	<u>3,777</u>
Total assets	<u><u>384,472</u></u>	<u><u>215,159</u></u>

(*) based on provisional measurement

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS (cont.)

(in thousands)	US dollars	
	December 31,	
	2018	2017
Current liabilities		
Credit from banking institutions	10,559	48
Accounts payable	23,987	23,264
Deferred revenues	37,671	12,796
Other current liabilities	32,475	29,644
	<u>104,692</u>	<u>65,752</u>
Long-term liabilities		
Long term loan	62,622	-
Liability for employee rights upon retirement	14,801	14,062
Provision for contingencies	201	400
Deferred income taxes	2,636	-
Deferred revenues	8,221	1,241
Others non-current liabilities	325	475
Obligation to purchase non-controlling interests(*)	16,272	-
	<u>105,078</u>	<u>16,178</u>
Stockholders' equity	168,195	125,790
Non-controlling interests	6,507	7,439
Total equity	<u>174,702</u>	<u>133,229</u>
Total liabilities and equity	<u><u>384,472</u></u>	<u><u>215,159</u></u>

(*) based on provisional measurement

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)	US dollars		US dollars	
	Year ended December 31,		Three months period ended December 31 ,	
	2018	2017	2018	2017
Revenues:				
Telematics services	181,357	169,752	55,042	44,468
Telematics products	<u>71,978</u>	<u>64,884</u>	<u>24,123</u>	<u>16,110</u>
	<u>253,335</u>	<u>234,636</u>	<u>79,165</u>	<u>60,578</u>
Cost of revenues:				
Telematics services	64,555	56,572	23,147	14,683
Telematics products	<u>61,452</u>	<u>58,680</u>	<u>17,967</u>	<u>15,318</u>
	<u>126,007</u>	<u>115,252</u>	<u>41,114</u>	<u>30,001</u>
Gross profit	127,328	119,384	38,051	30,577
Research and development expenses	6,223	3,160	2,496	716
Selling and marketing expenses	11,340	12,246	2,917	2,695
General and administrative expenses	47,693	47,590	14,308	12,494
Other expenses (income), net	<u>(306)</u>	<u>(147)</u>	<u>2</u>	<u>(1)</u>
Operating income	62,378	56,535	18,328	14,673
Other income (expenses), net	13,138	-	(695)	-
Financing income (expenses), net	<u>1,236</u>	<u>(989)</u>	<u>(898)</u>	<u>(2,080)</u>
Income before income tax	76,752	55,546	16,735	12,593
Income tax expenses	(17,273)	(17,705)	(4,857)	(5,317)
Share in gains of affiliated companies ,net	<u>8,079</u>	<u>8,520</u>	<u>4,211</u>	<u>3,033</u>
Net income for the period	67,558	46,361	16,089	10,309
Less: Net income attributable to non-controlling interest	<u>(3,023)</u>	<u>(2,567)</u>	<u>(899)</u>	<u>(485)</u>
Net income attributable to the Company	<u>64,535</u>	<u>43,794</u>	<u>15,190</u>	<u>9,824</u>
Basic and diluted earnings per share attributable to Company's stockholders				
	<u>3.06</u>	<u>2.09</u>	<u>0.71</u>	<u>0.47</u>
Basic and diluted weighted average number of shares outstanding (in thousands)				
	<u>21,077</u>	<u>20,968</u>	<u>21,342</u>	<u>20,968</u>

ITURAN LOCATION AND CONTROL LTD.

RECONCILIATION OF NON-GAAP RESULTS

(in thousands)	US dollars		US dollars	
	Year ended December 31,		Three months period ended December 31 ,	
	2018	2017	2018	2017
GAAP Revenues	253,335	234,636	79,165	60,578
Valuation adjustment on acquired deferred revenue	<u>263</u>	<u>-</u>	<u>263</u>	<u>-</u>
Non –GAAP revenue	<u>253,598</u>	<u>234,636</u>	<u>79,428</u>	<u>60,578</u>
GAAP gross profit	127,328	119,384	38,051	30,577
Gross profit adjustment	<u>1,773</u>	<u>-</u>	<u>1,773</u>	<u>-</u>
Non –GAAP gross profit	<u>129,101</u>	<u>119,384</u>	<u>39,824</u>	<u>30,577</u>
GAAP operating income	62,378	56,535	18,328	14,673
Other profit adjustments	1,773	-	1,463	-
Amortization	<u>(837)</u>	<u>-</u>	<u>(837)</u>	<u>-</u>
Non-GAAP operating income	<u>63,314</u>	<u>56,535</u>	<u>18,954</u>	<u>14,673</u>
Depreciation and amortization	<u>15,917</u>	<u>13,519</u>	<u>6,261</u>	<u>3,537</u>
Adjusted EBITDA	<u>79,231</u>	<u>70,054</u>	<u>25,215</u>	<u>18,210</u>
Net income attribute to the company's shareholders	64,535	43,794	15,190	9,824
Operation income adjustment	936	-	626	-
Capital gain on acquisition of non-controlling interest	(14,677)	-	-	-
Other transaction expenses	<u>844</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-GAAP net income attributable to Iturans' shareholders	<u>51,638</u>	<u>43,794</u>	<u>15,816</u>	<u>9,824</u>

ITURAN LOCATION AND CONTROL LTD.

Summary of NON –GAAP Financial Information

(in thousands except per share data)	US dollars		US dollars	
	Year ended December 31,		Three months period ended December 31 ,	
	2018	2017	2018	2017
revenue	253,598	234,636	79,428	60,578
Gross profit	129,101	119,384	39,824	30,577
Operation income	63,314	56,535	18,954	14,673
Net income attribute to shareholders	51,638	43,794	15,816	9,824
Adjusted EBITDA	79,231	70,054	25,215	18,210
Basic and diluted earnings per share	2.45	2.09	0.74	0.47

ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	US dollars		US dollars	
	Year ended December 31, 2018	2017	Three months period ended December 31 , 2018	2017
Cash flows from operating activities				
Net income for the period	67,558	46,361	16,089	10,309
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation, amortization and impairment of goodwill	14,608	13,519	4,642	3,537
Interest on long term credit	88	-	88	-
Loss (gains) in respect of trading marketable securities	(166)	(397)	155	(196)
Increase in liability for employee rights upon retirement	491	1,025	201	198
Share in gains of affiliated company, net	(8,079)	(8,520)	(4,211)	(3,033)
Deferred income taxes	3,285	(516)	1,874	(248)
Capital (gain) losses on sale of property and equipment, net	85	(1)	(22)	56
Capital gain on acquisition of non-controlling interests	(14,677)	-	-	-
Decrease (increase) in accounts receivable	6,182	(4,769)	8,313	4,139
increase in other current and non-current assets	(10,656)	(11,517)	(5,391)	(3,323)
Decrease in inventories	3,580	1,632	6,432	1,087
Increase (decrease) in accounts payable	(3,837)	3,751	(4,028)	2,084
Increase (decrease) in deferred revenues	(4,418)	2,238	(2,353)	(448)
Increase (decrease) in other current and non-current liabilities	(780)	1,101	(3,245)	566
Net cash provided by operating activities	<u>53,264</u>	<u>43,907</u>	<u>18,544</u>	<u>14,728</u>
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(576)	(844)	(204)	(225)
Capital expenditures	(21,744)	(16,159)	(6,433)	(5,363)
Acquisition of subsidiary (Appendix A)	(68,969)	-	-	-
Investments in affiliated companies	(1,250)	(900)	-	(803)
Investments in other companies	(1,517)	(1,274)	(420)	(213)
Repayment of loans from affiliated companies	7,317	6,982	-	2,677
Proceed from long term deposit	10	450	185	318
Sale of (investment in) marketable securities	1,494	(3,255)	66	(72)
Proceeds from sale of property and equipment	381	315	40	10
Net cash used in investment activities	<u>(84,854)</u>	<u>(14,685)</u>	<u>(6,766)</u>	<u>(3,671)</u>
Cash flows from financing activities				
Repayment of long term credit	(7,994)	-	(7,994)	-
Receipt of long term credit from bank institution	81,695	-	-	-
Short term credit from banking institutions, net	(1,004)	23	(970)	(102)
Dividend paid	(20,219)	(22,645)	(5,122)	(5,032)
Dividend paid to non-controlling interest	(2,709)	(1,644)	(1,192)	(472)
Net cash provided by (used in) in financing activities	<u>49,769</u>	<u>(24,266)</u>	<u>(15,278)</u>	<u>(5,606)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,687)</u>	<u>863</u>	<u>(845)</u>	<u>(366)</u>
Net Increase (decrease) in cash and cash equivalents	14,492	5,819	(4,345)	5,085
Balance of cash and cash equivalents at beginning of period	<u>36,906</u>	<u>31,087</u>	<u>55,743</u>	<u>31,821</u>
Balance of cash and cash equivalents at end of period	<u>51,398</u>	<u>36,906</u>	<u>51,398</u>	<u>36,906</u>

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

During the years, 2018 and 2017, the Company purchased property and equipment in an amount US\$ 11 thousand and US\$ 373 thousand, respectively, using a directly related liability.

In November 2018, the Company declared a dividend in the amount of US\$ 5 million. The dividend was paid in January 2019

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Appendix A - Acquisitions of a subsidiary

(in thousands)	US dollars Year ended December 31, 2018
Working capital (excluding cash and cash equivalents), net	2,084
Related parties	2,855
Intangible assets, net (*)	38,583
Property and equipment , net	11,014
Liability for employee rights upon retirement	(1,337)
Goodwill (*)	66,380
Consideration paid by issues of treasury stock	(12,038)
Deferred income taxes	4,585
Other non-current assets	2,132
Previous investments in acquired companies	(24,734)
Deferred revenues	(4,411)
Obligation to purchase non-controlling interests(*)	(16,144)
Net cash used to pay for the Acquisition	<u>68,969</u>

(*) based on provisional measurement