

**ITURAN LOCATION AND CONTROL LTD.**

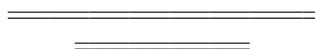
**Condensed Consolidated Financial Statements  
as of March 31, 2019**

# ITURAN LOCATION AND CONTROL LTD.

## Condensed Consolidated Financial Statements as of March 31, 2019

### Table of Contents

	<b>Page</b>
<b>Condensed Consolidated Interim Financial Statements:</b>	
Condensed Consolidated Balance Sheets	2-3
Condensed Consolidated Statements of Income	4
Reconciliation of NON-GAAP results	5-6
Condensed Consolidated Statements of Cash Flows	7-8



**ITURAN LOCATION AND CONTROL LTD.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	US dollars	
(in thousands)	March 31, 2019	December 31, 2018
	(unaudited)	
<b>Current assets</b>		
Cash and cash equivalents	53,049	51,398
Investments in marketable securities	1,486	1,897
Accounts receivable (net of allowance for doubtful accounts)	50,192	54,261
Other current assets	52,036	52,983
Inventories	27,489	28,367
	<u>184,252</u>	<u>188,906</u>
<b>Non- Current investments and other assets</b>		
Investments in affiliated companies	4,158	4,872
Investments in other companies	2,884	2,772
Other non-current assets	4,004	3,222
Deferred income taxes	11,849	12,127
Funds in respect of employee rights upon retirement	10,141	9,497
	<u>33,036</u>	<u>32,490</u>
<b>Property and equipment, net</b>	<u>51,696</u>	<u>50,460</u>
<b>Operating lease right-of-use assets, net</b>	<u>7,736</u>	<u>-</u>
<b>Intangible assets, net</b>	<u>39,108</u>	<u>39,040</u>
<b>Goodwill</b>	<u>63,007</u>	<u>62,896</u>
<b>Total assets</b>	<u><u>378,835</u></u>	<u><u>373,792</u></u>

**ITURAN LOCATION AND CONTROL LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (cont.)**

(in thousands)	US dollars	
	March 31, 2019	December 31 2018
	(unaudited)	
<b>Current liabilities</b>		
Credit from banking institutions	13,319	10,559
Accounts payable	22,535	23,987
Deferred revenues	31,790	37,671
Operating lease liabilities, current	2,975	-
Other current liabilities	30,209	32,475
	100,828	104,692
<b>Non- Current liabilities</b>		
Long term loan	60,314	62,622
Liability for employee rights upon retirement	15,766	14,801
Provision for contingencies	186	201
Deferred income taxes	6,064	6,458
Deferred revenues	11,896	8,221
Others non-current liabilities	298	325
Operating lease liabilities, non-current	4,761	-
Obligation to purchase non-controlling interests	16,567	16,272
	115,852	108,900
<b>Stockholders' equity</b>	156,015	153,693
<b>Non-controlling interests</b>	6,140	6,507
<b>Total equity</b>	162,155	160,200
<b>Total liabilities and equity</b>	378,835	373,792

**ITURAN LOCATION AND CONTROL LTD.**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

<b>(in thousands except per share data)</b>	<b>US dollars</b>	
	<b>Three months period ended March 31 ,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(unaudited)</b>	
<b>Revenues:</b>		
Telematics services	53,159	45,699
Telematics products	<u>20,445</u>	<u>17,379</u>
	<u>73,604</u>	<u>63,078</u>
<b>Cost of revenues:</b>		
Telematics services	22,577	16,081
Telematics products	<u>16,390</u>	<u>15,540</u>
	<u>38,967</u>	<u>31,621</u>
Gross profit	34,637	31,457
Research and development expenses	3,751	1,160
Selling and marketing expenses	2,930	2,852
General and administrative expenses	14,446	11,878
Other expenses, net	<u>4</u>	<u>26</u>
Operating income	13,506	15,541
Other expenses, net	(73)	-
Financing income (expenses), net	<u>(1,015)</u>	<u>276</u>
Income before income tax	12,418	15,817
Income tax expenses	(3,497)	(4,657)
Share in gains (losses) of affiliated companies ,net	<u>(868)</u>	<u>687</u>
Net income for the period	8,053	11,847
Less: Net loss (income) attributable to non-controlling interest	<u>4</u>	<u>(566)</u>
Net income attributable to the Company	<u>8,057</u>	<u>11,281</u>
Basic and diluted earnings per share attributable to Company's stockholders	<u>0.38</u>	<u>0.54</u>
Basic and diluted weighted average number of shares outstanding (in thousands)	<u>21,342</u>	<u>20,968</u>

**ITURAN LOCATION AND CONTROL LTD.**

**RECONCILIATION OF NON-GAAP RESULTS**

<b>(in thousands)</b>	<b>US dollars</b>	
	<b>Three months period ended March 31 , 2019                      2018</b>	
	<b>(unaudited)</b>	
GAAP Revenues	73,604	63,078
Valuation adjustment on acquired deferred revenue	<u>1,019</u>	<u>-</u>
Non –GAAP revenue	<u>74,623</u>	<u>63,078</u>
GAAP gross profit	34,637	31,457
Gross profit adjustment	<u>1,239</u>	<u>-</u>
Non –GAAP gross profit	<u>35,876</u>	<u>31,457</u>
GAAP operating income	13,506	15,541
Other profit adjustments	1,546	-
Amortization	<u>1,100</u>	<u>-</u>
Non-GAAP operating income	<u>16,152</u>	<u>15,541</u>
Depreciation and amortization	<u>4,699</u>	<u>3,623</u>
Adjusted EBITDA	<u>20,851</u>	<u>19,164</u>
Net income attribute to the company's shareholders	8,057	11,281
Operation income adjustment	<u>2,646</u>	<u>-</u>
Non-GAAP net income attributable to Iturans' shareholders	<u>10,703</u>	<u>11,281</u>

ITURAN LOCATION AND CONTROL LTD.

Summary of NON –GAAP Financial Information

(in thousands except per share data)	US dollars	
	2019	2018
	(unaudited)	
revenue	74,623	63,078
Gross profit	35,876	31,457
Operation income	16,152	15,541
Net income attribute to shareholders	10,703	11,281
Adjusted EBITDA	20,851	19,164
Basic and diluted earnings per share	0.50	0.54

**ITURAN LOCATION AND CONTROL LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<b>(in thousands)</b>	<b>US dollars</b>	
	<b>Three months period ended March 31 ,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(unaudited)</b>	
<b>Cash flows from operating activities</b>		
Net income for the period	8,053	11,847
<b>Adjustments to reconcile net income to net cash from operating activities:</b>		
Depreciation and amortization	6,115	3,623
Interest on long term credit	(13)	-
Loss (gains) in respect of trading marketable securities	28	(196)
Increase (decrease) in liability for employee rights upon retirement, net	274	(128)
Share in losses (gains) of affiliated company, net	868	(687)
Deferred income taxes	84	1,512
Capital losses from sale of property and equipment, net	6	52
Decrease (increase) in accounts receivable	4,929	(4,117)
increase in other current and non-current assets	(301)	(4,199)
Decrease (increase) in inventories	1,292	(570)
Operating lease right-of-use assets	1,193	-
Increase (decrease) in accounts payable	(1,596)	382
Decrease in deferred revenues	(2,548)	(336)
Increase (decrease) in other current and non-current liabilities	(2,778)	353
Operating lease liabilities	(1,193)	-
Increase in obligation for purchase non-controlling interests	494	-
Net cash provided by operating activities	14,907	7,536
<b>Cash flows from investment activities</b>		
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(75)	358
Capital expenditures	(6,930)	(6,618)
Investments in other companies	(13)	-
Repayment of loans from affiliated companies	-	2,145
Proceed from long term deposit	(78)	(91)
Sale of marketable securities, net	384	50
Proceeds from sale of property and equipment	27	203
Net cash used in investment activities	(6,685)	(3,953)
<b>Cash flows from financing activities</b>		
Short term credit from banking institutions, net	(1,818)	(41)
Dividend paid	(4,909)	(5,032)
Dividend paid to non-controlling interest	(538)	(425)
Net cash used in financing activities	(7,265)	(5,498)
Effect of exchange rate changes on cash and cash equivalents	694	(257)
Net Increase (decrease) in cash and cash equivalents	1,651	(2,172)
Balance of cash and cash equivalents at beginning of period	51,398	36,906
Balance of cash and cash equivalents at end of period	53,049	34,734

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

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