



ITURAN LOCATION AND CONTROL LTD.

**Consolidated Interim Financial Statements
as of June 30, 2016**

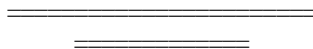


ITURAN LOCATION AND CONTROL LTD.

Consolidated Financial Statements as of June 30, 2016

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ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED BALANCE SHEETS

	US dollars	
(in thousands)	June 30, 2016	December 31, 2015
Current assets		
Cash and cash equivalents	25,448	27,016
Investment in marketable securities	371	2,035
Accounts receivable (net of allowance for doubtful accounts)	34,821	27,436
Other current assets	31,573	22,437
Inventories	13,072	12,781
	105,285	91,705
Long-term investments and other assets		
Investments in affiliated companies	7,694	4,705
Investments in other company	85	78
Other non-current assets	1,319	1,166
Deferred income taxes	2,376	2,279
Funds in respect of employee rights upon retirement	7,501	7,174
	18,975	15,402
Property and equipment, net	33,511	31,514
Intangible assets, net	25	26
Goodwill	3,405	3,356
Total assets	161,201	142,003

ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	June 30, 2016	December 31, 2015
Current liabilities		
Credit from banking institutions	9	155
Accounts payable	13,555	10,466
Deferred revenues	11,665	9,210
Other current liabilities	<u>23,276</u>	<u>21,750</u>
	<u>48,505</u>	<u>41,581</u>
Long-term liabilities		
Liability for employee rights upon retirement	11,469	10,637
Provision for contingencies	449	622
Deferred revenues	1,014	973
Other non-current liabilities	<u>451</u>	<u>369</u>
	<u>13,383</u>	<u>12,601</u>
Stockholders' equity	94,420	83,698
Non-controlling interests	<u>4,893</u>	<u>4,123</u>
Total equity	<u>99,313</u>	<u>87,821</u>
Total liabilities and equity	<u><u>161,201</u></u>	<u><u>142,003</u></u>



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,	
	2016	2015	2016	2015
Revenues:				
Location-based services	67,507	64,093	35,352	32,145
Wireless communications products	<u>28,946</u>	<u>23,921</u>	<u>13,902</u>	<u>11,669</u>
	<u>96,453</u>	<u>88,014</u>	<u>49,254</u>	<u>43,814</u>
Cost of revenues:				
Location-based services	23,327	23,146	12,106	11,845
Wireless communications products	<u>23,871</u>	<u>19,269</u>	<u>11,683</u>	<u>9,732</u>
	<u>47,198</u>	<u>42,415</u>	<u>23,789</u>	<u>21,577</u>
Gross profit	49,255	45,599	25,465	22,237
Research and development expenses	1,401	1,085	726	595
Selling and marketing expenses	4,934	4,625	2,556	2,229
General and administrative expenses	19,525	19,365	10,254	9,402
Other income, net	<u>(66)</u>	<u>(14)</u>	<u>(23)</u>	<u>(2)</u>
Operating income	23,461	20,538	11,952	10,013
Financing income (expenses), net	<u>838</u>	<u>208</u>	<u>770</u>	<u>(263)</u>
Income before income tax	24,299	20,746	12,722	9,750
Income tax expense	<u>(7,052)</u>	<u>(6,439)</u>	<u>(3,837)</u>	<u>(3,100)</u>
Share in losses of affiliated companies, net	<u>(1,307)</u>	<u>(844)</u>	<u>(615)</u>	<u>(537)</u>
Net income for the period	15,940	13,463	8,270	6,113
Less: Net income attributable to non-controlling interests	<u>(1,208)</u>	<u>(834)</u>	<u>(637)</u>	<u>(295)</u>
Net income attributable to the Company	<u>14,732</u>	<u>12,629</u>	<u>7,633</u>	<u>5,818</u>
Basic and diluted earnings per share attributable to Company's stockholders				
	<u>0.70</u>	<u>0.60</u>	<u>0.36</u>	<u>0.28</u>
Basic and diluted weighted average number of shares outstanding				
	<u>20,968</u>	<u>20,968</u>	<u>20,968</u>	<u>20,968</u>

ITURAN LOCATION AND CONTROL LTD.

STATEMENTS OF CASH FLOWS

(in thousands)	US dollars		US dollars	
	Six month period ended June 30, 2016	2015	Three month period ended June 30, 2016	2015
Cash flows from operating activities				
Net income for the period	15,940	13,463	8,270	6,113
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	5,507	5,383	2,896	2,710
Losses (gains) in respect of trading marketable securities	(68)	(204)	(34)	(115)
Increase (decrease) in liability for employee rights upon retirement	713	290	342	(91)
Share in losses of affiliated companies, net	1,307	844	615	537
Deferred income taxes	(1,744)	(346)	(1,052)	(341)
Capital losses (gains) on sale of property and equipment, net	(17)	(7)	(7)	(2)
Decrease (increase) in accounts receivable	(7,078)	(867)	(509)	567
Decrease (increase) in other current assets	(5,309)	(671)	(2,079)	1,007
Decrease (increase) in inventories	(148)	388	(180)	(272)
Decrease (increase) in accounts payable	2,906	854	426	(12)
Increase (decrease) in deferred revenues	2,382	128	1,027	524
Increase (decrease) in other current liabilities	675	150	(73)	53
Net cash provided by operating activities	15,066	19,405	9,642	10,678
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(247)	(487)	(24)	(224)
Capital expenditures	(4,900)	(12,969)	(2,689)	(6,132)
Investment in marketable securities	(344)	-	-	-
Investment in affiliated companies	(3,924)	(1,783)	(2,516)	(513)
Sale of marketable securities	1,858	-	-	-
Deposit	52	(239)	115	(79)
Proceeds from sale of property and equipment	99	687	9	188
Net cash used in investment activities	(7,406)	(14,791)	(5,105)	(6,760)
Cash flows from financing activities				
Short term credit from banking institutions, net	(146)	6	6	6
Dividend paid	(9,749)	(11,343)	(6,629)	(6,920)
Dividend paid to non-controlling interests	(617)	(536)	-	-
Net cash provided by (used in) financing activities	(10,512)	(11,873)	(6,623)	(6,914)
Effect of exchange rate changes on cash and cash equivalents	1,284	(171)	722	1,076
Net increase(decrease) in cash and cash equivalents	(1,568)	(7,430)	(1,364)	(1,920)
Balance of cash and cash equivalents at beginning of period	27,016	38,418	26,812	32,908
Balance of cash and cash equivalents at end of the period	25,448	30,988	25,448	30,988

Supplementary information on investing activities not involving cash flows:

In May 2016, the Company declared a dividend in an amount of US\$ 3.6 million. The dividend was paid in July 2016. During the six month period ended June 30, 2016, the Company purchased property and equipment in an amount of US\$ 66 thousand using a directly related liability.