



ITURAN LOCATION AND CONTROL LTD.

**Consolidated Interim Financial Statements
as of June 30, 2017**

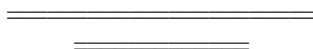


ITURAN LOCATION AND CONTROL LTD.

Consolidated Financial Statements as of June 30, 2017

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ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED BALANCE SHEETS

	US dollars	
(in thousands)	June 30, 2017	December 31, 2016
Current assets		
Cash and cash equivalents	27,116	31,087
Investment in marketable securities	1,456	398
Accounts receivable (net of allowance for doubtful accounts)	41,636	33,865
Other current assets	41,100	35,522
Inventories	17,267	14,351
	128,575	115,223
Long-term investments and other assets		
Investments in affiliated companies	16,553	11,975
Investments in other companies	1,195	85
Other non-current assets	1,928	1,515
Deferred income taxes	2,171	2,280
Funds in respect of employee rights upon retirement	9,061	7,868
	30,908	23,723
Property and equipment, net	36,682	35,644
Intangible assets, net	23	23
Goodwill	3,746	3,406
Total assets	199,934	178,019

ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	June 30, 2017	December 31, 2016
Current liabilities		
Credit from banking institutions	3	3
Accounts payable	20,529	18,624
Deferred revenues	12,613	10,762
Other current liabilities	27,594	26,738
	<u>60,739</u>	<u>56,127</u>
Long-term liabilities		
Liability for employee rights upon retirement	13,406	11,751
Provision for contingencies	432	435
Deferred revenues	1,462	1,034
Other non-current liabilities	577	501
	<u>15,877</u>	<u>13,721</u>
Stockholders' equity	116,266	102,229
Non-controlling interests	7,052	5,942
Total equity	<u>123,318</u>	<u>108,171</u>
Total liabilities and equity	<u><u>199,934</u></u>	<u><u>178,019</u></u>



ITURAN LOCATION AND CONTROL LTD.

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,	
	2017	2016	2017	2016
Revenues:				
Location-based services	81,437	67,507	41,698	35,352
Wireless communications products	<u>34,208</u>	<u>28,946</u>	<u>16,836</u>	<u>13,902</u>
	<u>115,645</u>	<u>96,453</u>	<u>58,534</u>	<u>49,254</u>
Cost of revenues:				
Location-based services	27,305	23,327	13,814	12,106
Wireless communications products	<u>30,077</u>	<u>23,871</u>	<u>14,538</u>	<u>11,683</u>
	<u>57,382</u>	<u>47,198</u>	<u>28,352</u>	<u>23,789</u>
Gross profit	58,263	49,255	30,182	25,465
Research and development expenses	1,768	1,401	986	726
Selling and marketing expenses	6,278	4,934	3,450	2,556
General and administrative expenses	22,391	19,525	11,629	10,254
Other income, net	<u>(143)</u>	<u>(66)</u>	<u>(55)</u>	<u>(23)</u>
Operating income	27,969	23,461	14,172	11,952
Financing income, net	<u>841</u>	<u>838</u>	<u>352</u>	<u>770</u>
Income before income tax	28,810	24,299	14,524	12,722
Income tax expense	(8,444)	(7,052)	(3,868)	(3,837)
Share in gains (losses) of affiliated companies, net	<u>4,489</u>	<u>(1,307)</u>	<u>489</u>	<u>(615)</u>
Net income for the period	24,855	15,940	11,145	8,270
Less: Net income attributable to non-controlling interests	<u>(1,415)</u>	<u>(1,208)</u>	<u>(692)</u>	<u>(637)</u>
Net income attributable to the Company	<u>23,440</u>	<u>14,732</u>	<u>10,453</u>	<u>7,633</u>
Basic and diluted earnings per share attributable to Company's stockholders				
	<u>1.12</u>	<u>0.70</u>	<u>0.50</u>	<u>0.36</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, 2017	2016	Three month period ended June 30, 2017	2016
Cash flows from operating activities				
Net income for the period	24,855	15,940	11,145	8,270
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	6,467	5,507	3,239	2,896
Gains in respect of trading marketable securities	(67)	(68)	(37)	(34)
Increase in liability for employee rights upon retirement	488	713	192	342
Share in losses (gains) of affiliated companies, net	(4,489)	1,307	(489)	615
Deferred income taxes	220	(1,744)	109	(1,052)
Capital gains on sale of property and equipment, net	(61)	(17)	(31)	(7)
Increase in accounts receivable	(5,517)	(7,078)	(2,302)	(509)
Increase in other current assets	(5,811)	(5,309)	(1,675)	(2,079)
Increase in inventories	(1,464)	(148)	(599)	(180)
Decrease in accounts payable	1,487	2,906	2,630	426
Increase in deferred revenues	2,236	2,382	1,151	1,027
Increase (decrease) in other current liabilities	(1,068)	675	804	(73)
Net cash provided by operating activities	17,276	15,066	14,137	9,642
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(363)	(247)	(244)	(24)
Capital expenditures	(6,749)	(4,900)	(3,993)	(2,689)
Investment in marketable securities	(3,189)	(344)	(1,761)	-
Investment in affiliated companies	(97)	(3,924)	-	(2,516)
Sale of marketable securities	2,119	1,858	940	-
Investment in other companies	(1,061)	-	-	-
Deposit	38	52	36	115
Proceeds from loans to affiliated companies	562	-	562	-
Proceeds from sale of property and equipment	181	99	115	9
Net cash used in investment activities	(8,559)	(7,406)	(4,345)	(5,105)
Cash flows from financing activities				
Short term credit from banking institutions, net	(7)	(146)	(406)	6
Dividend paid	(12,581)	(9,749)	(8,388)	(6,629)
Dividend paid to non-controlling interests	(752)	(617)	(39)	-
Net cash used in financing activities	(13,340)	(10,512)	(8,833)	(6,623)
Effect of exchange rate changes on cash and cash equivalents	652	1,284	(453)	722
Net increase (decrease) in cash and cash equivalents	(3,971)	(1,568)	506	(1,364)
Balance of cash and cash equivalents at beginning of period	31,087	27,016	26,610	26,812
Balance of cash and cash equivalents at end of the period	27,116	25,448	27,116	25,448

Supplementary information on investing activities not involving cash flows:

In May 2017, the Company declared a dividend in an amount of US\$ 5 million. The dividend was paid in July 2017.