

**ITURAN LOCATION AND CONTROL LTD.**

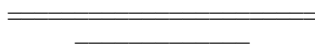
**Condensed Consolidated Interim Financial Statements  
as of September 30, 2016**

# ITURAN LOCATION AND CONTROL LTD.

## Condensed Consolidated Interim Financial Statements as of September 30, 2016

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**ITURAN LOCATION AND CONTROL LTD.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

<b>(in thousands)</b>	<b>US dollars</b>	
	<b>September 30, 2016</b>	<b>December 31, 2015</b>
<b>Current assets</b>		
Cash and cash equivalents	25,632	27,016
Investments in marketable securities	390	2,035
Accounts receivable (net of allowance for doubtful accounts)	35,862	27,436
Other current assets	34,367	22,437
Inventories	<u>13,953</u>	<u>12,781</u>
	<u>110,204</u>	<u>91,705</u>
<b>Long-term investments and other assets</b>		
Investments in affiliated companies	11,661	4,705
Investments in other company	87	78
Other non-current assets	1,350	1,166
Deferred income taxes	2,332	2,279
Funds in respect of employee rights upon retirement	<u>8,006</u>	<u>7,174</u>
	<u>23,436</u>	<u>15,402</u>
<b>Property and equipment, net</b>	<u>34,505</u>	<u>31,514</u>
<b>Intangible assets, net</b>	<u>25</u>	<u>26</u>
<b>Goodwill</b>	<u>3,484</u>	<u>3,356</u>
<b>Total assets</b>	<u><u>171,654</u></u>	<u><u>142,003</u></u>

**ITURAN LOCATION AND CONTROL LTD.**

**CONDENSED CONSOLIDATED BALANCE SHEETS (cont.)**

<b>(in thousands)</b>	<b>US dollars</b>	
	<b>September 30, 2016</b>	<b>December 31, 2015</b>
<b>Current liabilities</b>		
Credit from banking institutions	3	155
Accounts payable	15,589	10,466
Deferred revenues	11,218	9,210
Other current liabilities	<u>27,247</u>	<u>21,750</u>
	<u>54,057</u>	<u>41,581</u>
<b>Long-term liabilities</b>		
Liability for employee rights upon retirement	11,968	10,637
Provision for contingencies	443	622
Deferred revenues	977	973
Others non-current	<u>555</u>	<u>369</u>
	<u>13,943</u>	<u>12,601</u>
<b>Stockholders' equity</b>	98,305	83,698
<b>Non-controlling interests</b>	<u>5,349</u>	<u>4,123</u>
<b>Total equity</b>	<u>103,654</u>	<u>87,821</u>
<b>Total liabilities and equity</b>	<u><u>171,654</u></u>	<u><u>142,003</u></u>

**ITURAN LOCATION AND CONTROL LTD.**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

<b>(in thousands except per share data)</b>	<b>US dollars</b>		<b>US dollars</b>	
	<b>Nine month period ended September 30, 2016</b>	<b>2015</b>	<b>Three month period ended September 30, 2016</b>	<b>2015</b>
<b>Revenues:</b>				
Location-based services	104,673	95,595	37,166	31,502
Wireless communications products	<u>44,540</u>	<u>36,242</u>	<u>15,594</u>	<u>12,321</u>
	<u>149,213</u>	<u>131,837</u>	<u>52,760</u>	<u>43,823</u>
<b>Cost of revenues:</b>				
Location-based services	36,066	34,926	12,739	11,780
Wireless communications products	<u>37,488</u>	<u>29,308</u>	<u>13,617</u>	<u>10,039</u>
	<u>73,554</u>	<u>64,234</u>	<u>26,356</u>	<u>21,819</u>
Gross profit	75,659	67,603	26,404	22,004
Research and development expenses	2,082	1,699	681	614
Selling and marketing expenses	7,471	6,912	2,537	2,287
General and administrative expenses	30,113	28,675	10,588	9,310
Other income, net	<u>973</u>	<u>(17)</u>	<u>1,039</u>	<u>(3)</u>
Operating income	35,020	30,334	11,559	9,796
Financing income (expenses), net	<u>1,246</u>	<u>774</u>	<u>408</u>	<u>566</u>
Income before income tax	36,266	31,108	11,967	10,362
Income tax expenses	(10,945)	(9,657)	(3,893)	(3,218)
Share in gains (losses) of affiliated companies ,net	<u>(554)</u>	<u>(1,482)</u>	<u>753</u>	<u>(638)</u>
Net income for the period	24,767	19,969	8,827	6,506
Less: Net income attributable to non-controlling interest	<u>(1,885)</u>	<u>(1,180)</u>	<u>(677)</u>	<u>(346)</u>
Net income attributable to the Company	<u>22,882</u>	<u>18,789</u>	<u>8,150</u>	<u>6,160</u>
<b>Basic and diluted earnings per share attributable to Company's stockholders</b>				
	<u>1.09</u>	<u>0.90</u>	<u>0.39</u>	<u>0.29</u>
<b>Basic and diluted weighted average number of shares outstanding (in thousands)</b>				
	<u>20,968</u>	<u>20,968</u>	<u>20,968</u>	<u>20,968</u>

**ITURAN LOCATION AND CONTROL LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	US dollars		US dollars	
	Nine month period ended September 30, 2016	2015	Three month period ended September 30, 2016	2015
<b>Cash flows from operating activities</b>				
Net income for the period	24,767	19,969	8,827	6,506
<b>Adjustments to reconcile net income to net cash from operating activities:</b>				
Depreciation amortization and impairment of goodwill	8,570	8,122	3,063	2,739
Losses (gain) in respect of trading marketable securities	(95)	(428)	(27)	(224)
Increase (decrease) in liability for employee rights upon retirement	960	502	247	212
Share in losses (gains) of affiliated companies, net	554	1,482	(753)	638
Deferred income taxes	(836)	940	908	1,286
Capital gains on sale of property and equipment, net	(18)	(10)	(1)	(3)
Decrease (increase) in accounts receivable	(7,470)	(84)	(392)	783
Decrease (increase) in other current assets	(9,080)	(85)	(3,771)	586
Decrease (increase) in inventories	(726)	251	(578)	(137)
Increase (decrease) in accounts payable	4,836	(1,092)	1,930	(1,946)
Increase (decrease) in deferred revenues	1,657	(864)	(725)	(992)
Increase (decrease) in other current liabilities	3,988	(462)	3,313	(612)
Net cash provided by operating activities	<u>27,107</u>	<u>28,241</u>	<u>12,041</u>	<u>8,836</u>
<b>Cash flows from investment activities</b>				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(582)	(575)	(335)	(88)
Capital expenditures	(9,049)	(15,132)	(4,149)	(2,163)
Investments in affiliated companies	(7,181)	(4,639)	(3,257)	(2,856)
Investment in marketable securities	(2,076)	-	(1,732)	-
Sale of marketable securities	3,615	-	1,757	-
Deposit	16	(321)	(36)	(82)
Proceeds from sale of property and equipment	133	683	34	(4)
Net cash used in investment activities	<u>(15,124)</u>	<u>(19,984)</u>	<u>(7,718)</u>	<u>(5,193)</u>
<b>Cash flows from financing activities</b>				
Short term credit from banking institutions, net	(152)	447	(6)	441
Dividend paid	(13,314)	(14,729)	(3,565)	(3,386)
Dividend paid to non-controlling interest	(940)	(1,224)	(323)	(688)
Net cash provided by (used in) financing activities	<u>(14,406)</u>	<u>(15,506)</u>	<u>(3,894)</u>	<u>(3,633)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,039</u>	<u>(1,735)</u>	<u>(245)</u>	<u>(1,564)</u>
Net increase (decrease) in cash and cash equivalents	(1,384)	(8,984)	184	(1,554)
Balance of cash and cash equivalents at beginning of the period	<u>27,016</u>	<u>38,418</u>	<u>25,448</u>	<u>30,988</u>
Balance of cash and cash equivalents at end of the period	<u>25,632</u>	<u>29,434</u>	<u>25,632</u>	<u>29,434</u>

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

In August 2016, the Company declared a dividend in an amount of US\$ 3.8 million. The dividend was paid in October 2016.