

ITURAN LOCATION AND CONTROL LTD.

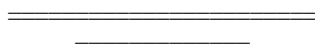
**Condensed Consolidated Interim Financial Statements
as of September 30, 2017**

ITURAN LOCATION AND CONTROL LTD.

Condensed Consolidated Interim Financial Statements as of September 30, 2017

Table of Contents

	Page
Condensed Consolidated Interim Financial Statements:	
Balance Sheets	2-3
Statements of Income	4
Statements of Cash Flows	5



ITURAN LOCATION AND CONTROL LTD.**CONDENSED CONSOLIDATED BALANCE SHEETS**

	US dollars	
(in thousands)	September 30, 2017	December 31, 2016
Current assets		
Cash and cash equivalents	31,821	31,087
Investments in marketable securities	3,540	398
Accounts receivable (net of allowance for doubtful accounts)	45,283	33,865
Other current assets	45,554	35,522
Inventories	15,087	14,351
	<u>141,285</u>	<u>115,223</u>
Long-term investments and other assets		
Investments in affiliated companies	13,690	11,975
Investments in other company	1,183	85
Other non-current assets	1,718	1,515
Deferred income taxes	2,345	2,280
Funds in respect of employee rights upon retirement	9,216	7,868
	<u>28,152</u>	<u>23,723</u>
Property and equipment, net	<u>38,722</u>	<u>35,644</u>
Intangible assets, net	<u>23</u>	<u>23</u>
Goodwill	<u>3,717</u>	<u>3,406</u>
Total assets	<u><u>211,899</u></u>	<u><u>178,019</u></u>

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS (cont.)

(in thousands)	US dollars	
	September 30, 2017	December 31, 2016
Current liabilities		
Credit from banking institutions	145	3
Accounts payable	22,410	18,624
Deferred revenues	13,431	10,762
Other current liabilities	29,562	26,738
	65,548	56,127
Long-term liabilities		
Liability for employee rights upon retirement	13,651	11,751
Provision for contingencies	418	435
Deferred revenues	1,557	1,034
Others non-current	496	501
	16,122	13,721
Stockholders' equity	122,907	102,229
Non-controlling interests	7,322	5,942
Total equity	130,229	108,171
Total liabilities and equity	211,899	178,019

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)	US dollars		US dollars	
	Nine month period ended September 30, 2017	2016	Three month period ended September 30, 2017	2016
Revenues:				
Location-based services	125,284	104,673	43,847	37,166
Wireless communications products	<u>51,951</u>	<u>44,540</u>	<u>17,743</u>	<u>15,594</u>
	<u>177,235</u>	<u>149,213</u>	<u>61,590</u>	<u>52,760</u>
Cost of revenues:				
Location-based services	41,889	36,066	14,584	12,739
Wireless communications products	<u>46,539</u>	<u>37,488</u>	<u>16,462</u>	<u>13,617</u>
	<u>88,428</u>	<u>73,554</u>	<u>31,046</u>	<u>26,356</u>
Gross profit	88,807	75,659	30,544	26,404
Research and development expenses	2,444	2,082	676	681
Selling and marketing expenses	9,551	7,471	3,273	2,537
General and administrative expenses	35,096	30,113	12,705	10,588
Other expenses (income), net	<u>(146)</u>	<u>973</u>	<u>(3)</u>	<u>1,039</u>
Operating income	41,862	35,020	13,893	11,559
Financing income (expenses), net	<u>1,091</u>	<u>1,246</u>	<u>250</u>	<u>408</u>
Income before income tax	42,953	36,266	14,143	11,967
Income tax expenses	(12,388)	(10,945)	(3,944)	(3,893)
Share in gains (losses) of affiliated companies ,net	<u>5,487</u>	<u>(554)</u>	<u>998</u>	<u>753</u>
Net income for the period	36,052	24,767	11,197	8,827
Less: Net income attributable to non-controlling interest	<u>(2,082)</u>	<u>(1,885)</u>	<u>(667)</u>	<u>(677)</u>
Net income attributable to the Company	<u>33,970</u>	<u>22,882</u>	<u>10,530</u>	<u>8,150</u>
Basic and diluted earnings per share attributable to Company's stockholders				
	<u>1.62</u>	<u>1.09</u>	<u>0.50</u>	<u>0.39</u>
Basic and diluted weighted average number of shares outstanding (in thousands)				
	<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, 2017	2016	Three month period ended September 30, 2017	2016
Cash flows from operating activities				
Net income for the period	36,052	24,767	11,197	8,827
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation amortization and impairment of goodwill	9,982	8,570	3,515	3,063
Losses (gain) in respect of trading marketable securities	(201)	(95)	(134)	(27)
Increase (decrease) in liability for employee rights upon retirement	827	960	339	247
Share in losses (gains) of affiliated companies, net	(5,487)	554	(998)	(753)
Deferred income taxes	(268)	(836)	(488)	908
Capital gains on sale of property and equipment, net	(57)	(18)	4	(1)
Decrease (increase) in accounts receivable	(8,908)	(7,470)	(3,391)	(392)
Decrease (increase) in other current assets	(8,194)	(9,080)	(2,383)	(3,771)
Decrease (increase) in inventories	545	(726)	2,009	(578)
Increase (decrease) in accounts payable	1,667	4,836	180	1,930
Increase (decrease) in deferred revenues	2,686	1,657	450	(725)
Increase (decrease) in other current liabilities	535	3,988	1,603	3,313
Net cash provided by operating activities	29,179	27,107	11,903	12,041
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(619)	(582)	(256)	(335)
Capital expenditures	(10,796)	(9,049)	(4,047)	(4,149)
Investments in affiliated companies	(97)	(7,181)	-	(3,257)
Investments in other companies	(1,061)	-	-	-
Investment in marketable securities	(6,607)	(2,076)	(3,418)	(1,732)
Sale of marketable securities	3,424	3,615	1,305	1,757
Deposit	132	16	94	(36)
Proceeds from loans to affiliated companies	4,305	-	3,743	-
Proceeds from sale of property and equipment	305	133	124	34
Net cash used in investment activities	(11,014)	(15,124)	(2,455)	(7,718)
Cash flows from financing activities				
Short term credit from banking institutions, net	125	(152)	132	(6)
Dividend paid	(17,613)	(13,314)	(5,032)	(3,565)
Dividend paid to non-controlling interest	(1,172)	(940)	(420)	(323)
Net cash provided by (used in) financing activities	(18,660)	(14,406)	(5,320)	(3,894)
Effect of exchange rate changes on cash and cash equivalents	1,229	1,039	577	(245)
Net increase (decrease) in cash and cash equivalents	734	(1,384)	4,705	184
Balance of cash and cash equivalents at beginning of the period	31,087	27,016	27,116	25,448
Balance of cash and cash equivalents at end of the period	31,821	25,632	31,821	25,632

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

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