

ITURAN LOCATION AND CONTROL LTD.

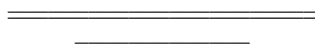
**Condensed Consolidated Interim Financial Statements
as of September 30, 2018**

ITURAN LOCATION AND CONTROL LTD.

Condensed Consolidated Interim Financial Statements as of September 30, 2018

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

(in thousands)	US dollars	
	September 30, 2018	December 31, 2017
Current assets		
Cash and cash equivalents	55,743	36,906
Investments in marketable securities	1,674	3,559
Accounts receivable (net of allowance for doubtful accounts)	62,782	41,009
Other current assets	45,591	41,394
Inventories	35,066	14,244
	<u>200,856</u>	<u>137,112</u>
Long-term investments and other assets		
Investments in affiliated companies	4,088	14,839
Investments in other company	2,400	1,382
Other non-current assets	2,998	939
Deferred income taxes	14,550	8,398
Funds in respect of employee rights upon retirement	9,588	9,627
	<u>33,624</u>	<u>35,185</u>
Property and equipment, net	<u>52,607</u>	<u>39,047</u>
Intangible assets, net	<u>29,389</u>	<u>38</u>
Goodwill	<u>70,875</u>	<u>3,777</u>
Total assets	<u><u>387,351</u></u>	<u><u>215,159</u></u>

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS (cont.)

(in thousands)	US dollars	
	September 30, 2018	December 31, 2017
Current liabilities		
Credit from banking institutions	8,022	48
Accounts payable	27,990	23,264
Deferred revenues	42,135	12,796
Other current liabilities	38,236	29,644
	<u>116,383</u>	<u>65,752</u>
Long-term liabilities		
Long term loan	76,895	-
Liability for employee rights upon retirement	15,020	14,062
Provision for contingencies	326	400
Deferred income taxes	3,079	-
Deferred revenues	7,030	1,241
Others non-current	390	475
	<u>102,740</u>	<u>16,178</u>
Stockholders' equity	155,130	125,790
Non-controlling interests	13,098	7,439
Total equity	<u>168,228</u>	<u>133,229</u>
Total liabilities and equity	<u><u>387,351</u></u>	<u><u>215,159</u></u>

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, 2018	2017	Three month period ended September 30, 2018	2017
Revenues:				
Location-based services	126,315	125,284	39,126	43,847
Wireless communications products	47,855	48,774	14,250	16,764
	<u>174,170</u>	<u>174,058</u>	<u>53,376</u>	<u>60,611</u>
Cost of revenues:				
Location-based services	41,408	41,889	13,569	14,584
Wireless communications products	43,485	43,362	10,914	15,483
	<u>84,893</u>	<u>85,251</u>	<u>24,483</u>	<u>30,067</u>
Gross profit	89,277	88,807	28,893	30,544
Research and development expenses	3,727	2,444	1,628	676
Selling and marketing expenses	8,423	9,551	2,941	3,273
General and administrative expenses	33,385	35,096	10,795	12,705
Other income, net	(308)	(146)	(190)	(3)
Operating income	44,050	41,862	13,719	13,893
Other income, net	13,833	-	13,833	-
Financing income, net	2,134	1,091	1,566	250
Income before income tax	60,017	42,953	29,118	14,143
Income tax expenses	(12,416)	(12,388)	(3,906)	(3,944)
Share in gains of affiliated companies ,net	3,868	5,487	1,644	998
Net income for the period	51,469	36,052	26,856	11,197
Less: Net income attributable to non-controlling interest	(2,124)	(2,082)	(805)	(667)
Net income attributable to the Company	<u>49,345</u>	<u>33,970</u>	<u>26,051</u>	<u>10,530</u>
Basic and diluted earnings per share attributable to Company's stockholders	<u>2.35</u>	<u>1.62</u>	<u>1.24</u>	<u>0.50</u>
Basic and diluted weighted average number of shares outstanding (in thousands)	<u>20,982</u>	<u>20,968</u>	<u>21,010</u>	<u>20,968</u>

**ITURAN LOCATION AND CONTROL LTD.
RECONCILIATION OF NON-GAAP RESULTS**

(in thousands except per share data)	US dollars		US dollars	
	Nine months ended		Three months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
GAAP Revenues:	174,170	174,058	53,376	60,611
Valuation adjustment on acquired deferred revenue	-	-	-	-
Non –GAAP revenue	<u>174,170</u>	<u>174,058</u>	<u>53,376</u>	<u>60,611</u>
GAAP gross profit	89,277	88,807	28,893	30,544
Valuation adjustment on acquired deferred revenue	-	-	-	-
Non –GAAP gross profit	<u>89,277</u>	<u>88,807</u>	<u>28,893</u>	<u>30,544</u>
GAAP operating income	44,050	41,862	13,719	13,893
Operation profit adjustments				
Amortization of other intangible assets	310	-	310	-
Non-GAAP operating income	<u>44,360</u>	<u>41,862</u>	<u>14,029</u>	<u>13,893</u>
GAAP net income attributable to the company's shareholders	49,345	33,970	26,051	10,530
Operation income adjustment	310	-	310	-
Other income, net	<u>(13,833)</u>	<u>-</u>	<u>(13,833)</u>	<u>-</u>
Non-GAAP net income attributable to Iturans' shareholders	<u>35,822</u>	<u>33,970</u>	<u>12,528</u>	<u>10,530</u>

ITURAN LOCATION AND CONTROL LTD.

Summary of NON –GAAP Financial Information

(in thousands except per share data)	US dollars		US dollars	
	Nine months ended September 30,		Three months ended September 30,	
	2018	2017	2018	2017
revenue	174,170	174,058	53,376	60,611
Gross profit	89,277	88,807	28,893	30,544
Operation income	44,360	41,862	14,029	13,893
Net income to shareholders	35,822	33,970	12,528	10,530
Adjusted EBITDA	54,016	51,844	16,996	17,408
Basic and diluted earnings per share	1.71	1.62	0.60	0.50

Adjusted EBITDA Calculation

(in thousands except per share data)	US dollars		US dollars	
	Nine months ended September 30,		Three months ended September 30,	
	2018	2017	2018	2017
GAAP operation profit:	44,050	41,862	13,719	13,893
<u>Non –GAAP adjustments</u>				
Amortization of other intangible assets	310	-	310	-
Non –GAAP operating profit	44,360	41,862	14,029	13,893
Depreciation	<u>9,656</u>	<u>9,982</u>	<u>2,967</u>	<u>3,515</u>
Adjusted EBITDA	<u><u>54,016</u></u>	<u><u>51,844</u></u>	<u><u>16,996</u></u>	<u><u>17,408</u></u>

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	US dollars		US dollars	
	Nine month period ended September 30, 2018	2017	Three month period ended September 30, 2018	2017
Cash flows from operating activities				
Net income for the period	51,469	36,052	26,856	11,197
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	9,966	9,982	3,277	3,515
Losses (gain) in respect of trading marketable securities	(321)	(201)	20	(134)
Increase in liability for employee rights upon retirement	290	827	363	339
Share in gains of affiliated companies, net	(3,868)	(5,487)	(1,644)	(998)
Deferred income taxes	1,411	(268)	(408)	(488)
Capital gains (losses) on sale of property and equipment, net	107	(57)	38	4
Capital gains on Acquisition of non-controlling interests	(14,677)	-	(14,677)	-
Decrease (increase) in accounts receivable	(2,131)	(8,908)	3,623	(3,391)
Decrease in other current assets	(5,265)	(8,194)	(1,286)	(2,383)
Decrease (increase) in inventories	(2,852)	545	(2,867)	2,009
Increase in accounts payable	191	1,667	2,054	180
Increase (decrease) in deferred revenues	(2,065)	2,686	(138)	450
Increase (decrease) in other current liabilities	2,465	535	(389)	1,603
Net cash provided by operating activities	34,720	29,179	14,822	11,903
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(372)	(619)	(525)	(256)
Capital expenditures	(15,311)	(10,796)	(5,329)	(4,047)
Acquisitions of a subsidiary – Appendix A	(68,969)	-	(68,969)	-
Investments in affiliated companies	(1,250)	(97)	-	-
Investments in other companies	(1,097)	(1,061)	(200)	-
Investment in marketable securities	(22,618)	(6,607)	(243)	(3,418)
Sale of marketable securities	24,046	3,424	-	1,305
Deposit	(175)	132	30	94
Proceeds from loans to affiliated companies	7,317	4,305	4,055	3,743
Proceeds from sale of property and equipment	341	305	125	124
Net cash used in investment activities	(78,088)	(11,014)	(71,056)	(2,455)
Cash flows from financing activities				
Short term credit from banking institutions, net	(34)	125	(1)	132
Receipt of long-term credit from banking institutions	81,695	-	81,695	-
Dividend paid	(15,097)	(17,613)	(5,030)	(5,032)
Dividend paid to non-controlling interest	(1,517)	(1,172)	(545)	(420)
Net cash provided by (used in) financing activities	65,047	(18,660)	76,119	(5,320)
Effect of exchange rate changes on cash and cash equivalents	(2,842)	1,229	(248)	577
Net increase in cash and cash equivalents	18,837	734	19,637	4,705
Balance of cash and cash equivalents at beginning of the period	36,906	31,087	36,106	27,116
Balance of cash and cash equivalents at end of the period	55,743	31,821	55,743	31,821

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

In August 2018, the Company declared a dividend in an amount of US\$ 5 million. The dividend was paid in October 2018.

ITURAN LOCATION AND CONTROL LTD.

Appendix A - Acquisitions of a subsidiary

(in thousands)	US dollars
	Nine and three months ended September 30, 2018
Working capital (excluding cash and cash equivalents), net	(858)
Related parties	2,855
Intangible assets, net	29,610
Property and equipment , net	13,766
Liability for employee rights upon retirement	(1,337)
Goodwill	67,067
Consideration paid by issues of treasury stock	(12,038)
Deferred income taxes	4,700
Other non-current assets	2,132
Previous investments in acquired companies	(24,734)
Deferred revenues	(6,514)
Non-controlling interests	(5,680)
Net cash used to pay for the Acquisition	<u>68,969</u>