

ITURAN LOCATION AND CONTROL LTD.

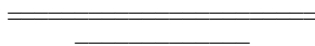
**Condensed Consolidated Interim Financial Statements
as of September 30, 2015**

ITURAN LOCATION AND CONTROL LTD.

Condensed Consolidated Interim Financial Statements as of September 30, 2015

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

(in thousands)	US dollars	
	September 30, 2015	December 31, 2014
Cash and cash equivalents	29,434	38,418
Investments in marketable securities	2,553	2,362
Accounts receivable (net of allowance for doubtful accounts)	27,802	27,960
Other current assets	20,240	22,318
Inventories	11,808	12,164
	91,837	103,222
Long-term investments and other assets		
Investments in affiliated companies	4,405	1,016
Investments in other company	81	79
Other non-current assets	1,134	2,091
Deferred income taxes	3,319	2,886
Funds in respect of employee rights upon retirement	7,159	6,642
	16,098	12,714
Property and equipment, net	31,612	31,908
Intangible assets, net	322	452
Goodwill	4,006	4,041
Total assets	143,875	152,337

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS (cont.)

(in thousands)	US dollars	
	September 30, 2015	December 31, 2014
Current liabilities		
Credit from banking institutions	447	-
Accounts payable	10,480	11,658
Deferred revenues	8,737	9,401
Other current liabilities	22,126	23,880
	41,790	44,939
Long-term liabilities		
Liability for employee rights upon retirement	10,642	10,229
Provision for contingencies	573	1,373
Deferred revenues	772	1,063
Deferred income taxes	116	150
Others	638	-
	12,741	12,815
Stockholders' equity	85,662	90,696
Non-controlling interests	3,682	3,887
Total equity	89,344	94,583
Total liabilities and equity	143,875	152,337

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, 2015	2014	Three month period ended September 30, 2015	2014
Revenues:				
Location-based services	95,595	100,737	31,502	34,442
Wireless communications products	<u>36,242</u>	<u>37,843</u>	<u>12,321</u>	<u>12,048</u>
	<u>131,837</u>	<u>138,580</u>	<u>43,823</u>	<u>46,490</u>
Cost of revenues:				
Location-based services	34,926	35,527	11,780	12,300
Wireless communications products	<u>29,308</u>	<u>29,611</u>	<u>10,039</u>	<u>9,330</u>
	<u>64,234</u>	<u>65,138</u>	<u>21,819</u>	<u>21,630</u>
Gross profit	67,603	73,442	22,004	24,860
Research and development expenses	1,699	1,895	614	650
Selling and marketing expenses	6,912	6,783	2,287	2,346
General and administrative expenses	28,675	28,950	9,310	9,752
Other income, net	<u>(17)</u>	<u>(63)</u>	<u>(3)</u>	<u>(9)</u>
Operating income	30,334	35,877	9,796	12,121
Financing income (expenses), net	<u>774</u>	<u>1,215</u>	<u>566</u>	<u>1,259</u>
Income before income tax	31,108	37,092	10,362	13,380
Income tax expenses	(9,657)	(11,373)	(3,218)	(3,895)
Share in losses of affiliated companies ,net	<u>(1,482)</u>	<u>(308)</u>	<u>(638)</u>	<u>(107)</u>
Net income for the period	19,969	25,411	6,506	9,378
Less: Net income attributable to non-controlling interest	<u>(1,180)</u>	<u>(1,996)</u>	<u>(346)</u>	<u>(701)</u>
Net income attributable to the Company	<u>18,789</u>	<u>23,415</u>	<u>6,160</u>	<u>8,677</u>
Basic and diluted earnings per share attributable to Company's stockholders	<u>0.90</u>	<u>1.12</u>	<u>0.29</u>	<u>0.41</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, 2015	2014	Three month period ended September 30, 2015	2014
Cash flows from operating activities				
Net income for the period	19,969	25,411	6,506	9,378
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation amortization and impairment of goodwill	8,122	8,131	2,739	2,863
Exchange differences on principal of deposit and loans, net	-	(23)	-	-
Losses (gain) in respect of trading marketable securities	(428)	(271)	(224)	(359)
Increase (decrease) in liability for employee rights upon retirement	502	1,294	212	359
Share in losses of affiliated companies, net	1,482	308	638	107
Deferred income taxes	940	(1,209)	1,286	(311)
Capital gains on sale of property and equipment, net	(10)	(19)	(3)	(39)
Decrease (increase) in accounts receivable	(84)	(2,868)	783	2,330
Decrease (increase) in other current assets	(85)	(770)	586	(63)
Decrease (increase) in inventories	251	2,237	(137)	(296)
Increase (decrease) in accounts payable	(1,092)	(912)	(1,946)	209
Decrease in deferred revenues	(864)	(212)	(992)	(236)
Decrease in other current liabilities	(462)	(553)	(612)	(1,071)
Net cash provided by operating activities	28,241	30,544	8,836	12,871
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(575)	(540)	(88)	(243)
Capital expenditures	(15,132)	(10,609)	(2,163)	(4,082)
Investments in affiliated companies	(4,639)	-	(2,856)	-
Investment in marketable securities	-	(2,771)	-	-
Deposit in escrow	-	5,005	-	-
Deposit	(321)	(123)	(82)	33
Proceeds from sale of property and equipment	683	1,370	(4)	742
Net cash used in investment activities	(19,984)	(7,668)	(5,193)	(3,550)
Cash flows from financing activities				
Short term credit from banking institutions, net	447	(36)	441	3
Acquisition of non-controlling interests	-	(500)	-	(500)
Dividend paid	(14,729)	(15,481)	(3,386)	(4,022)
Dividend paid to non-controlling interest	(1,224)	(2,062)	(688)	(557)
Net cash provided by (used in) financing activities	(15,506)	(18,079)	(3,633)	(5,076)
Effect of exchange rate changes on cash and cash equivalents	(1,735)	(3,490)	(1,564)	(3,008)
Net increase (decrease) in cash and cash equivalents	(8,984)	1,307	(1,554)	1,237
Balance of cash and cash equivalents at beginning of the period	38,418	41,697	30,988	41,767
Balance of cash and cash equivalents at end of the period	29,434	43,004	29,434	43,004

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

In August 2015, the Company declared a dividend in an amount of US\$ 3 million. The dividend was paid in October 2015. During the nine month period ended September 30, 2015, the Company purchased property and equipment in an amount of US\$ 15 thousand using a directly related liability.