

ITURAN LOCATION AND CONTROL LTD.

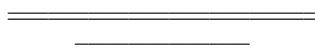
**Condensed Consolidated Financial Statements
as of December 31, 2019**

ITURAN LOCATION AND CONTROL LTD.

Condensed Consolidated Financial Statements as of December 31, 2019

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ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	US dollars	
	December 31,	
	2019	2018
Current assets		
Cash and cash equivalents	53,964	51,398
Investments in marketable securities	358	1,897
Accounts receivable (net of allowance for doubtful accounts)	45,090	54,261
Other current assets	49,201	52,983
Inventories	25,537	28,367
	<u>174,150</u>	<u>188,906</u>
Long-term investments and other assets		
Investments in affiliated companies	1,666	4,872
Investments in other companies	3,260	2,772
Other non-current assets	3,365	3,222
Deferred income taxes	10,385	12,127
Funds in respect of employee rights upon retirement	11,476	9,497
	<u>30,152</u>	<u>32,490</u>
Property and equipment, net	<u>48,866</u>	<u>50,460</u>
Operating lease right-of-use assets, net	<u>12,626</u>	<u>-</u>
Intangible assets, net	<u>23,355</u>	<u>39,040</u>
Goodwill	<u>50,086</u>	<u>62,896</u>
Total assets	<u><u>339,235</u></u>	<u><u>373,792</u></u>

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS (cont.)

(in thousands)	US dollars	
	December 31,	
	2019	2018
Current liabilities		
Credit from banking institutions	18,110	10,559
Accounts payable	22,656	23,987
Deferred revenues	29,146	37,671
Operating lease liabilities, current	1,787	-
Other current liabilities	29,366	32,475
	101,065	104,692
Long-term liabilities		
Long term loan	49,803	62,622
Liability for employee rights upon retirement	17,000	14,801
Provision for contingencies	140	201
Deferred income taxes	2,867	6,458
Deferred revenues	9,763	8,221
Operating lease liabilities, non-current	10,839	-
Others non-current liabilities	101	325
Obligation to purchase non-controlling interests	11,743	16,272
	102,256	108,900
Stockholders' equity	129,330	153,693
Non-controlling interests	6,584	6,507
Total equity	135,914	160,200
Total liabilities and equity	339,235	373,792

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)	US dollars		US dollars	
	Year ended December 31,		Three months period ended December 31 ,	
	2019	2018	2019	2018
Revenues:				
Telematics services	204,728	181,357	49,642	55,042
Telematics products	<u>74,604</u>	<u>71,978</u>	<u>15,849</u>	<u>24,123</u>
	<u>279,332</u>	<u>253,335</u>	<u>65,491</u>	<u>79,165</u>
Cost of revenues:				
Telematics services	90,158	70,329	22,661	24,335
Telematics products	<u>58,656</u>	<u>55,678</u>	<u>12,338</u>	<u>16,779</u>
	<u>148,814</u>	<u>126,007</u>	<u>34,999</u>	<u>41,114</u>
Gross profit	130,518	127,328	30,492	38,051
Research and development expenses	13,913	6,223	3,578	2,496
Selling and marketing expenses	12,778	11,340	3,185	2,917
General and administrative expenses	55,166	47,693	14,011	14,308
Impairment of goodwill	12,292	-	12,292	-
Impairment of intangible assets and Other expenses (income), net	<u>13,715</u>	<u>(306)</u>	<u>13,787</u>	<u>2</u>
Operating income (loss)	22,654	62,378	(16,361)	18,328
Other income (expenses), net	(26)	13,138	11	(695)
Financing income (expenses), net	<u>576</u>	<u>717</u>	<u>3,277</u>	<u>(1,417)</u>
Income (loss) before income tax	23,204	76,233	(13,073)	16,216
Income tax expenses	(12,234)	(17,273)	(1,365)	(4,857)
Share in gains (losses) of affiliated companies ,net	<u>(3,203)</u>	<u>4,219</u>	<u>(422)</u>	<u>351</u>
Net income (loss) for the period	7,767	63,179	(14,860)	11,710
Less: Net income (loss) attributable to non-controlling interest	<u>(878)</u>	<u>(2,504)</u>	<u>(401)</u>	<u>(380)</u>
Net income (loss) attributable to the Company	<u>6,889</u>	<u>60,675</u>	<u>(15,261)</u>	<u>11,330</u>
Basic and diluted earnings (loss) per share attributable to Company's stockholders	<u>0.33</u>	<u>2.88</u>	<u>(0.73)</u>	<u>0.53</u>
Basic and diluted weighted average number of shares outstanding (in thousands)	<u>21,037</u>	<u>21,077</u>	<u>20,875</u>	<u>21,342</u>

ITURAN LOCATION AND CONTROL LTD.

RECONCILIATION OF NON-GAAP RESULTS

(in thousands)	US dollars		US dollars	
	Year ended December 31,		Three months period ended December 31 ,	
	2019	2018	2019	2018
GAAP Revenues	279,332	253,335	65,491	79,165
Valuation adjustment on acquired deferred revenue	<u>3,676</u>	<u>263</u>	<u>687</u>	<u>263</u>
Non –GAAP revenue	<u>283,008</u>	<u>253,598</u>	<u>66,178</u>	<u>79,428</u>
GAAP gross profit	130,518	127,328	30,492	38,051
Gross profit adjustment	<u>3,896</u>	<u>1,773</u>	<u>687</u>	<u>1,773</u>
Non –GAAP gross profit	<u>134,414</u>	<u>129,101</u>	<u>31,179</u>	<u>39,824</u>
GAAP operating income (loss)	22,654	62,378	(16,361)	18,328
Impairment of goodwill and other intangible assets	26,154	-	26,154	-
Amortization of other intangible assets	<u>8,315</u>	<u>936</u>	<u>1,961</u>	<u>626</u>
Non-GAAP operating income	<u>57,123</u>	<u>63,314</u>	<u>11,754</u>	<u>18,954</u>
Depreciation and amortization	<u>19,607</u>	<u>15,917</u>	<u>4,797</u>	<u>6,261</u>
Adjusted EBITDA	<u>76,730</u>	<u>79,231</u>	<u>16,551</u>	<u>25,215</u>
Net income (loss) attribute to the company's shareholders	6,889	60,675	(15,261)	11,330
Impairment of goodwill and other intangible assets, net	20,188	-	20,188	-
Operation income adjustment	8,315	936	1,961	626
Other adjustments, net	<u>(2,112)</u>	<u>(13,833)</u>	<u>(336)</u>	<u>-</u>
Non-GAAP net income attributable to Iturans' shareholders	<u>33,280</u>	<u>47,778</u>	<u>6,552</u>	<u>11,956</u>

ITURAN LOCATION AND CONTROL LTD.

Summary of NON –GAAP Financial Information

(in thousands except per share data)	US dollars		US dollars	
	Year ended December 31,		Three months period ended December 31 ,	
	2019	2018	2019	2018
revenue	283,008	253,598	66,178	79,428
Gross profit	134,414	129,101	31,179	39,824
Operation income	57,123	63,314	11,754	18,954
Net income attribute to shareholders	33,280	47,778	6,552	11,956
Adjusted EBITDA	76,730	79,231	16,551	25,215
Basic and diluted earnings per share	1.58	2.27	0.31	0.56

ITURAN LOCATION AND CONTROL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	US dollars		US dollars	
	Year ended December 31, 2019	2018	Three months period ended December 31 , 2019	2018
Cash flows from operating activities				
Net income for the period	7,767	63,179	(14,860)	11,710
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	22,843	14,608	5,633	4,642
Interest on long term credit	26	88	3	88
Loss (gains) in respect of trading marketable securities	241	(166)	31	155
Increase (decrease) in liability for employee rights upon retirement	1,094	491	(200)	201
Share in losses in (gains of) affiliated company, net	3,203	(4,219)	422	(351)
Deferred income taxes	(1,590)	2,346	(1,842)	935
Capital (gain) losses on sale of property and equipment, net	112	85	65	(22)
Capital gain on acquisition of non-controlling interests	-	(14,677)	-	-
Decrease in accounts receivable	10,704	6,182	4,178	8,313
Decrease (increase) in other current and non-current assets	1,365	(10,656)	250	(5,391)
Decrease in inventories	3,815	3,580	197	6,432
Increase (decrease) in accounts payable	(1,125)	(3,837)	2,434	(4,028)
Increase (decrease) in deferred revenues	(7,392)	(3,479)	(302)	(1,414)
Increase (decrease) in obligation for purchase non-controlling interests	(3,215)	519	(4,182)	519
Operating lease right-of-use assets	4,140	-	1,885	-
Operating lease liabilities	(4,140)	-	(1,885)	-
Impairment of goodwill and other intangible	12,292	-	12,292	-
Impairment of other intangible assets	13,862	-	13,862	-
Increase (decrease) in other current and non-current liabilities	(4,323)	(780)	(982)	(3,245)
Net cash provided by operating activities	<u>59,679</u>	<u>53,264</u>	<u>16,999</u>	<u>18,544</u>
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(1,191)	(576)	(74)	(204)
Capital expenditures	(18,310)	(21,744)	(4,652)	(6,433)
Acquisition of subsidiary (Appendix A)	-	(68,969)	-	-
Investments in affiliated companies	(55)	(1,250)	-	-
Investments in other companies	(229)	(1,517)	(100)	(420)
Repayment of loans from affiliated companies	-	7,317	-	-
Proceed from (repayment of) long term deposit	(16)	10	67	185
Sale of (investment in) marketable securities	1,298	1,494	(156)	66
Proceeds from sale of property and equipment	<u>216</u>	<u>381</u>	<u>13</u>	<u>40</u>
Net cash used in investment activities	<u>(18,287)</u>	<u>(84,854)</u>	<u>(4,902)</u>	<u>(6,766)</u>
Cash flows from financing activities				
Repayment of long term credit	(8,938)	(7,994)	(4,502)	(7,994)
Receipt of long term credit from bank institution	-	81,695	-	-
Short term credit from banking institutions, net	(2,167)	(1,004)	(2,554)	(970)
Acquisition of company shares purchased by a wholly owned subsidiary	(6,001)	-	(2,500)	-
Dividend paid	(19,848)	(20,219)	(5,050)	(5,122)
Dividend paid to non-controlling interest	(1,973)	(2,709)	(416)	(1,192)
Net cash provided by (used in) in financing activities	<u>(38,927)</u>	<u>49,769</u>	<u>(15,022)</u>	<u>(15,278)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>101</u>	<u>(3,687)</u>	<u>635</u>	<u>(845)</u>
Net Increase (decrease) in cash and cash equivalents	2,566	14,492	(2,290)	(4,345)
Balance of cash and cash equivalents at beginning of period	<u>51,398</u>	<u>36,906</u>	<u>56,254</u>	<u>55,743</u>
Balance of cash and cash equivalents at end of period	<u>53,964</u>	<u>51,398</u>	<u>53,964</u>	<u>51,398</u>

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

During the years, 2019 and 2018, the Company purchased property and equipment in an amount US\$ 166 thousand and US\$ 11 thousand, respectively, using a directly related liability.

In November 2019 the Company declared a dividend in the amount of US\$ 5 million. The dividend was paid in January 2020

ITURAN LOCATION AND CONTROL LTD.

Appendix A - Acquisitions of a subsidiary

(in thousands)	US dollars Year ended December 31, 2018
Working capital (excluding cash and cash equivalents), net	2,084
Related parties	2,855
Intangible assets, net (*)	38,583
Property and equipment , net	11,014
Liability for employee rights upon retirement	(1,337)
Goodwill (*)	66,380
Consideration paid by issues of treasury stock	(12,038)
Deferred income taxes	4,585
Other non-current assets	2,132
Previous investments in acquired companies	(24,734)
Deferred revenues	(4,411)
Obligation to purchase non-controlling interests(*)	(16,144)
Net cash used to pay for the Acquisition	<u>68,969</u>

(*) based on provisional measurement