

**ITURAN LOCATION AND CONTROL LTD.**

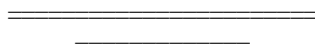
**Condensed Consolidated Financial Statements  
as of June 30, 2020**

# ITURAN LOCATION AND CONTROL LTD.

## Condensed Consolidated Financial Statements as of June 30, 2020

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**ITURAN LOCATION AND CONTROL LTD.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	US dollars	
(in thousands)	June 30, 2020	December 31, 2019
	(unaudited)	
<b>Current assets</b>		
Cash and cash equivalents	56,782	53,964
Investments in marketable securities	374	358
Accounts receivable (net of allowance for doubtful accounts)	37,766	45,090
Other current assets	36,863	49,201
Inventories	<u>25,175</u>	<u>25,537</u>
	<u>156,960</u>	<u>174,150</u>
<b>Non- Current investments and other assets</b>		
Investments in affiliated companies	839	1,666
Investments in other companies	4,740	3,260
Other non-current assets	2,840	3,365
Deferred income taxes	9,927	10,385
Funds in respect of employee rights upon retirement	<u>11,811</u>	<u>11,476</u>
	<u>30,157</u>	<u>30,152</u>
<b>Property and equipment, net</b>	<u>38,595</u>	<u>48,866</u>
<b>Operating lease right-of-use assets, net</b>	<u>11,190</u>	<u>12,626</u>
<b>Intangible assets, net</b>	<u>20,225</u>	<u>23,355</u>
<b>Goodwill</b>	<u>39,568</u>	<u>50,086</u>
<b>Total assets</b>	<u><u>296,695</u></u>	<u><u>339,235</u></u>

**ITURAN LOCATION AND CONTROL LTD.**

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

<b>(in thousands)</b>	<b>US dollars</b>	
	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>(unaudited)</b>	
<b>Current liabilities</b>		
Credit from banking institutions	20,176	18,110
Accounts payable	16,991	22,656
Deferred revenues	24,023	29,146
Other current liabilities	31,044	31,153
	<u>92,234</u>	<u>101,065</u>
<b>Non- Current liabilities</b>		
Long term loan	40,630	49,803
Liability for employee rights upon retirement	17,859	17,000
Deferred income taxes	2,682	2,867
Deferred revenues	9,769	9,763
Others non-current liabilities	216	241
Operating lease liabilities, non-current	7,932	10,839
Obligation to purchase non-controlling interests	10,900	11,743
	<u>89,988</u>	<u>102,256</u>
<b>Stockholders' equity</b>	108,027	129,330
<b>Non-controlling interests</b>	6,446	6,584
	<u>114,473</u>	<u>135,914</u>
<b>Total equity</b>		
	<u>114,473</u>	<u>135,914</u>
<b>Total liabilities and equity</b>	<u>296,695</u>	<u>339,235</u>

**ITURAN LOCATION AND CONTROL LTD.**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

<b>(in thousands except per share data)</b>	<b>US dollars</b>		<b>US dollars</b>	
	<b>Six month period ended June 30, 2020</b>	<b>2019</b>	<b>Three month period ended June 30, 2020</b>	<b>2019</b>
<b>Revenues:</b>				
Telematics services	92,707	104,825	43,731	51,666
Telematics products	<u>28,978</u>	<u>40,021</u>	<u>9,580</u>	<u>19,576</u>
	<u>121,685</u>	<u>144,846</u>	<u>53,311</u>	<u>71,242</u>
<b>Cost of revenues:</b>				
Telematics services	40,501	45,094	18,159	22,517
Telematics products	<u>22,558</u>	<u>31,604</u>	<u>7,495</u>	<u>15,214</u>
	<u>63,059</u>	<u>76,698</u>	<u>25,654</u>	<u>37,731</u>
Gross profit	58,626	68,148	27,657	33,511
Research and development expenses	7,305	7,128	3,419	3,377
Selling and marketing expenses	5,899	6,303	2,840	3,373
General and administrative expenses	25,999	27,597	12,076	13,151
Impairment of goodwill	10,508	-	10,508	-
Impairment of intangible assets and other expenses, net	<u>3,700</u>	<u>5</u>	<u>3,673</u>	<u>1</u>
Operating income (loss)	5,215	27,115	(4,859)	13,609
Other income (expense), net	3	(48)	13	25
Financing income (expense), net	<u>863</u>	<u>(1,854)</u>	<u>1,517</u>	<u>(839)</u>
Income (loss) before income tax	6,081	25,213	(3,329)	12,795
Income tax expenses	(4,817)	(7,189)	(2,891)	(3,692)
Share in gains (losses) of affiliated companies ,net	<u>(887)</u>	<u>(1,971)</u>	<u>16</u>	<u>(1,103)</u>
Net income (loss) for the period	377	16,053	(6,204)	8,000
Less: Net income attributable to non-controlling interest	<u>(343)</u>	<u>(302)</u>	<u>(129)</u>	<u>(306)</u>
Net income (loss) attributable to the Company	<u>34</u>	<u>15,751</u>	<u>(6,333)</u>	<u>7,694</u>
Basic and diluted earnings (losses) per share attributable to Company's stockholders	<u>0.01</u>	<u>0.74</u>	<u>(0.30)</u>	<u>0.37</u>
Basic and diluted weighted average number of shares outstanding (in thousands)	<u>20,813</u>	<u>21,146</u>	<u>20,813</u>	<u>21,041</u>

**ITURAN LOCATION AND CONTROL LTD.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	US dollars		US dollars	
	Six month period ended June 30,		Three month period ended June 30,	
	2020	2019	2020	2019
<b>Cash flows from operating activities</b>				
Net income (loss) for the period	377	16,053	(6,204)	8,000
<b>Adjustments to reconcile net income to net cash from operating activities:</b>				
Depreciation and amortization	9,826	11,579	4,603	5,464
Interest and exchange rate differences on loans	(542)	31	56	44
Losses (gain) in respect of trading marketable securities	(16)	2	(106)	(26)
Gain in respect of investments in other companies	(1,524)	-	(1,524)	-
Increase in liability for employee rights upon retirement	895	1,179	61	905
Share in losses (gains) of affiliated companies, net	887	1,971	(16)	1,103
Deferred income taxes	(369)	(17)	(1,167)	(101)
Capital loss on sale of property and equipment, net	87	14	27	8
Decrease (increase) in accounts receivable	3,487	4,558	7,978	(371)
Decrease in other current assets	2,949	2,314	3,477	2,615
Decrease in inventories	229	2,005	607	713
Increase (decrease) in accounts payable	(2,245)	(347)	(2,435)	1,249
Decrease in deferred revenues	(3,710)	(6,143)	(2,307)	(3,595)
Increase (decrease) in other current and non-current liabilities	6,178	(2,678)	2,798	100
Impairment of goodwill	10,508	-	10,508	-
Impairment of other intangible assets	3,661	-	3,661	-
Increase (decrease) in obligation for purchase non-controlling interests	(698)	702	(749)	208
Net cash provided by operating activities	<u>29,980</u>	<u>31,223</u>	<u>19,268</u>	<u>16,316</u>
<b>Cash flows from investment activities</b>				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(363)	(956)	(255)	(881)
Capital expenditures	(5,579)	(10,375)	(2,128)	(3,445)
Investments in (return from) affiliated and other companies	(492)	(184)	4	(171)
Sale of marketable securities, net	-	1,454	-	1,070
Investments in long term deposit	(35)	(152)	(13)	(74)
Proceeds from sale of property and equipment	196	35	30	8
Net cash used in investment activities	<u>(6,273)</u>	<u>(10,178)</u>	<u>(2,362)</u>	<u>(3,493)</u>
<b>Cash flows from financing activities</b>				
Short term credit from banking institutions, net	2,660	(611)	-	1,207
Repayment of long term loan	(8,802)	-	(4,517)	-
Purchase of shares from minority shareholders	(750)	-	(750)	-
Dividend paid	(9,967)	(9,748)	(4,917)	(4,839)
Dividend paid to non-controlling interest	-	(809)	-	(271)
Net cash used in financing activities	<u>(16,859)</u>	<u>(11,168)</u>	<u>(10,184)</u>	<u>(3,903)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(4,030)</u>	<u>1,116</u>	<u>202</u>	<u>422</u>
Net increase in cash and cash equivalents	2,818	10,993	6,924	9,342
Balance of cash and cash equivalents at beginning of the period	<u>53,964</u>	<u>51,398</u>	<u>49,858</u>	<u>53,049</u>
Balance of cash and cash equivalents at end of the period	<u><u>56,782</u></u>	<u><u>62,391</u></u>	<u><u>56,782</u></u>	<u><u>62,391</u></u>