

ITURAN LOCATION AND CONTROL LTD.

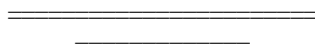
**Condensed Consolidated Interim Financial Statements
as of September 30, 2019**

ITURAN LOCATION AND CONTROL LTD.

Condensed Consolidated Interim Financial Statements as of September 30, 2019

Table of Contents

	Page
Condensed Consolidated Interim Financial Statements:	
Balance Sheets	2-3
Statements of Income	4
Reconciliation of NON-GAAP results	5-6
Statements of Cash Flows	7-8



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

(in thousands)	US dollars	
	September 30, 2019	December 31, 2018
Current assets		
Cash and cash equivalents	56,254	51,398
Investments in marketable securities	233	1,897
Accounts receivable (net of allowance for doubtful accounts)	48,667	54,261
Other current assets	48,200	52,983
Inventories	25,642	28,367
	<u>178,996</u>	<u>188,906</u>
Long-term investments and other assets		
Investments in affiliated companies	2,086	4,872
Investments in other company	3,126	2,772
Other non-current assets	3,325	3,222
Deferred income taxes	10,410	12,127
Funds in respect of employee rights upon retirement	11,316	9,497
	<u>30,263</u>	<u>32,490</u>
Property and equipment, net	<u>48,438</u>	<u>50,460</u>
Operating lease right-of-use assets, net	<u>63,962</u>	-
Intangible assets, net	<u>37,822</u>	<u>39,040</u>
Goodwill	<u>62,343</u>	<u>62,896</u>
Total assets	<u><u>364,193</u></u>	<u><u>373,792</u></u>

ITURAN LOCATION AND CONTROL LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS (cont.)

(in thousands)	US dollars	
	September 30, 2019	December 31, 2018
Current liabilities		
Credit from banking institutions	20,599	10,559
Accounts payable	19,733	23,987
Deferred revenues	30,183	37,671
Operating lease liabilities, current	2,313	-
Other current liabilities	29,883	32,475
	102,711	104,692
Long-term liabilities		
Long term loan	53,924	62,622
Liability for employee rights upon retirement	17,084	14,801
Provision for contingencies	158	201
Deferred income taxes	4,875	6,458
Deferred revenues	8,816	8,221
Operating lease liabilities, non-current	4,018	-
Obligation to purchase non-controlling interests	15,916	16,272
Others non-current	129	325
	104,920	108,900
Stockholders' equity	150,032	153,693
Non-controlling interests	6,530	6,507
	156,562	160,200
Total liabilities and equity	364,193	373,792

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, 2019	2018	Three month period ended September 30, 2019	2018
Revenues:				
Location-based services	155,086	126,315	50,261	39,126
Wireless communications products	<u>58,755</u>	<u>47,855</u>	<u>18,734</u>	<u>14,250</u>
	<u>213,841</u>	<u>174,170</u>	<u>68,995</u>	<u>53,376</u>
Cost of revenues:				
Location-based services	67,497	45,994	22,403	14,938
Wireless communications products	<u>46,318</u>	<u>38,899</u>	<u>14,714</u>	<u>9,545</u>
	<u>113,815</u>	<u>84,893</u>	<u>37,117</u>	<u>24,483</u>
Gross profit	100,026	89,277	31,878	28,893
Research and development expenses	10,335	3,727	3,207	1,628
Selling and marketing expenses	9,593	8,423	3,290	2,941
General and administrative expenses	41,155	33,385	13,558	10,795
Other income, net	<u>(72)</u>	<u>(308)</u>	<u>(77)</u>	<u>(190)</u>
Operating income	39,015	44,050	11,900	13,719
Other income (expense), net	(37)	13,833	11	13,833
Financing income (expense), net	<u>(2,701)</u>	<u>2,134</u>	<u>(847)</u>	<u>1,566</u>
Income before income tax	36,277	60,017	11,064	29,118
Income tax expenses	(10,869)	(12,416)	(3,680)	(3,906)
Share in gains (losses) of affiliated companies ,net	<u>(2,781)</u>	<u>3,868</u>	<u>(810)</u>	<u>1,644</u>
Net income for the period	22,627	51,469	6,574	26,856
Less: Net income attributable to non-controlling interest	<u>(477)</u>	<u>(2,124)</u>	<u>(175)</u>	<u>(805)</u>
Net income attributable to the Company	<u>22,150</u>	<u>49,345</u>	<u>6,399</u>	<u>26,051</u>
Basic and diluted earnings per share attributable to Company's stockholders	<u>1.05</u>	<u>2.35</u>	<u>0.30</u>	<u>1.24</u>
Basic and diluted weighted average number of shares outstanding (in thousands)	<u>21,112</u>	<u>20,982</u>	<u>21,041</u>	<u>21,010</u>

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

(in thousands except per share data)	US dollars		US dollars	
	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
GAAP Revenues:	213,841	174,170	68,995	53,376
Valuation adjustment on acquired deferred revenue	2,989	-	985	-
Non –GAAP revenue	<u>216,830</u>	<u>174,170</u>	<u>69,980</u>	<u>53,376</u>
GAAP gross profit	100,026	89,277	31,878	28,893
Valuation adjustment on acquired deferred revenue	3,209	-	985	-
Non –GAAP gross profit	<u>103,235</u>	<u>89,277</u>	<u>32,863</u>	<u>28,893</u>
GAAP operating income	39,015	44,050	11,900	13,719
Operation profit adjustments				
Amortization of other intangible assets	6,354	310	1,803	310
Non-GAAP operating income	<u>45,369</u>	<u>44,360</u>	<u>13,703</u>	<u>14,029</u>
Depreciation and amortization	17,210	9,656	5,030	2,970
Adjusted EBITDA	<u>60,179</u>	<u>54,016</u>	<u>18,733</u>	<u>16,999</u>
GAAP net income attributable to the company's shareholders	22,150	49,345	6,399	26,051
Operation income adjustment	6,354	310	1,803	310
Other adjustments, net	<u>(1,776)</u>	<u>(13,833)</u>	<u>(452)</u>	<u>(13,833)</u>
Non-GAAP net income attributable to Iturans' shareholders	<u>26,728</u>	<u>35,822</u>	<u>7,750</u>	<u>12,528</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,	
	2019	2018	2019	2018
revenue	216,830	174,170	69,980	53,376
Gross profit	103,235	89,277	32,863	28,893
Operation income	45,369	44,360	13,703	14,029
Net income to shareholders	26,728	35,822	7,750	12,528
Adjusted EBITDA	60,179	54,016	18,733	16,999
Basic and diluted earnings per share	1.27	1.71	0.37	0.60

ITURAN LOCATION AND CONTROL LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	US dollars		US dollars	
	Nine month period ended September 30, 2019	2018	Three month period ended September 30, 2019	2018
Cash flows from operating activities				
Net income for the period	22,627	51,469	6,574	26,856
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	17,210	9,966	5,631	3,277
Interest and exchange rate differences on long term credit	23	-	(8)	-
Operating lease right-of-use assets	2,255	-	219	-
Operating lease liabilities	(2,255)	-	(219)	-
Losses (gain) in respect of trading marketable securities	210	(321)	208	20
Increase in liability for employee rights upon retirement	1,294	290	115	363
Share in losses (gains) of affiliated companies, net	2,781	(3,868)	810	(1,644)
Deferred income taxes	252	1,411	269	(408)
Capital gains (losses) on sale of property and equipment, net	47	107	33	38
Capital gains on Acquisition of non-controlling interests	-	(14,677)	-	(14,677)
Decrease (increase) in accounts receivable	6,526	(2,131)	1,968	3,623
Decrease in other current assets	1,115	(5,265)	(1,199)	(1,286)
Decrease (increase) in inventories	3,618	(2,852)	1,613	(2,867)
Increase (decrease) in accounts payable	(3,559)	191	(3,212)	2,054
Increase (decrease) in deferred revenues	(7,090)	(2,065)	(947)	(138)
Increase (decrease) in other current liabilities	(3,341)	2,465	(663)	(389)
Increase in obligation for purchase non-controlling interests	967	-	265	-
Net cash provided by operating activities	42,680	34,720	11,457	14,822
Cash flows from investment activities				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(1,117)	(372)	(161)	(525)
Capital expenditures	(13,658)	(15,311)	(3,283)	(5,329)
Acquisitions of a subsidiary – Appendix A	-	(68,969)	-	(68,969)
Investments in affiliated companies	(55)	(1,250)	-	-
Investments in other companies	(129)	(1,097)	-	(200)
Sale of (Invest in) marketable securities, net	1,454	1,428	-	(243)
Deposit	(83)	(175)	69	30
Proceeds from loans to affiliated companies	-	7,317	-	4,055
Proceeds from sale of property and equipment	203	341	168	125
Net cash used in investment activities	(13,385)	(78,088)	(3,207)	(71,056)
Cash flows from financing activities				
Short term credit from banking institutions, net	387	(34)	998	(1)
Receipt (repayment) of long-term credit from banking institutions	(4,436)	81,695	(4,436)	81,695
Dividend paid	(14,798)	(15,097)	(5,050)	(5,030)
Dividend paid to non-controlling interest	(1,557)	(1,517)	(748)	(545)
Acquisition of company shares purchased by a wholly owned subsidiary	(3,501)	-	(3,501)	-
Net cash provided by (used in) financing activities	(23,905)	65,047	(12,737)	76,119
Effect of exchange rate changes on cash and cash equivalents	(534)	(2,842)	(1,650)	(248)
Net increase (decrease) in cash and cash equivalents	4,856	18,837	(6,137)	19,637
Balance of cash and cash equivalents at beginning of the period	51,398	36,906	62,391	36,106
Balance of cash and cash equivalents at end of the period	56,254	55,743	56,254	55,743

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

In August 2019, the Company declared a dividend in an amount of US\$ 5 million. The dividend was paid in October 2019.