

**ITURAN LOCATION AND CONTROL LTD.**

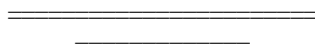
**Condensed Consolidated Financial Statements  
as of September 30, 2020**

# ITURAN LOCATION AND CONTROL LTD.

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

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**ITURAN LOCATION AND CONTROL LTD.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	US dollars	
(in thousands)	September 30, 2020	December 31, 2019
	(unaudited)	
<b>Current assets</b>		
Cash and cash equivalents	61,836	53,964
Investments in marketable securities	100	358
Accounts receivable (net of allowance for doubtful accounts)	40,051	45,090
Other current assets	35,027	49,201
Inventories	<u>23,391</u>	<u>25,537</u>
	160,405	174,150
<b>Non- Current investments and other assets</b>		
Investments in affiliated companies	890	1,666
Investments in other companies	8,136	3,260
Other non-current assets	2,789	3,365
Deferred income taxes	10,653	10,385
Funds in respect of employee rights upon retirement	<u>12,320</u>	<u>11,476</u>
	34,788	30,152
<b>Property and equipment, net</b>	<u>36,641</u>	<u>48,866</u>
<b>Operating lease right-of-use assets, net</b>	<u>10,301</u>	<u>12,626</u>
<b>Intangible assets, net</b>	<u>19,593</u>	<u>23,355</u>
<b>Goodwill</b>	<u>39,594</u>	<u>50,086</u>
<b>Total assets</b>	<u><u>301,322</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>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>(unaudited)</b>	
<b>Current liabilities</b>		
Credit from banking institutions	20,380	18,110
Accounts payable	19,337	22,656
Deferred revenues	23,829	29,146
Obligation to purchase non-controlling interests	11,063	-
Other current liabilities	32,774	31,153
	<u>107,383</u>	<u>101,065</u>
<b>Non- Current liabilities</b>		
Long term loan	36,378	49,803
Liability for employee rights upon retirement	18,431	17,000
Deferred income taxes	2,584	2,867
Deferred revenues	8,276	9,763
Others non-current liabilities	2,577	241
Obligation to purchase non-controlling interests	-	11,743
Operating lease liabilities, non-current	7,347	10,839
	<u>75,593</u>	<u>102,256</u>
<b>Stockholders' equity</b>	116,292	129,330
<b>Non-controlling interests</b>	2,054	6,584
	<u>118,346</u>	<u>135,914</u>
<b>Total liabilities and equity</b>	<u>301,322</u>	<u>339,235</u>

**ITURAN LOCATION AND CONTROL LTD.**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

<b>(in thousands except per share data)</b>	<b>US dollars</b>		<b>US dollars</b>	
	<b>Nine month period ended September 30, 2020</b>	<b>2019</b>	<b>Three month period ended September 30, 2020</b>	<b>2019</b>
<b>Revenues:</b>				
Telematics services	137,185	155,086	44,478	50,261
Telematics products	<u>44,829</u>	<u>58,755</u>	<u>15,851</u>	<u>18,734</u>
	<u>182,014</u>	<u>213,841</u>	<u>60,329</u>	<u>68,995</u>
<b>Cost of revenues:</b>				
Telematics services	60,553	67,497	20,052	22,403
Telematics products	<u>35,458</u>	<u>46,318</u>	<u>12,900</u>	<u>14,714</u>
	<u>96,011</u>	<u>113,815</u>	<u>32,952</u>	<u>37,117</u>
Gross profit	86,003	100,026	27,377	31,878
Research and development expenses	9,959	10,335	2,654	3,207
Selling and marketing expenses	8,428	9,593	2,529	3,290
General and administrative expenses	37,635	41,155	11,636	13,558
Impairment of goodwill	10,508	-	-	-
Impairment of intangible assets and other expenses (income), net	<u>3,712</u>	<u>(72)</u>	<u>12</u>	<u>(77)</u>
Operating income	15,761	39,015	10,546	11,900
Other income (expense), net	5	(37)	2	11
Financing income (expense), net	<u>3,651</u>	<u>(2,701)</u>	<u>2,788</u>	<u>(847)</u>
Income before income tax	19,417	36,277	13,336	11,064
Income tax expenses	(8,595)	(10,869)	(3,778)	(3,680)
Share in gains (losses) of affiliated companies ,net	<u>(858)</u>	<u>(2,781)</u>	<u>29</u>	<u>(810)</u>
Net income for the period	9,964	22,627	9,587	6,574
Less: Net income attributable to non-controlling interest	<u>(663)</u>	<u>(477)</u>	<u>(320)</u>	<u>(175)</u>
Net income attributable to the Company	<u>9,301</u>	<u>22,150</u>	<u>9,267</u>	<u>6,399</u>
<b>Basic and diluted earnings per share attributable to Company's stockholders</b>				
	<u>0.45</u>	<u>1.05</u>	<u>0.45</u>	<u>0.30</u>
<b>Basic and diluted weighted average number of shares outstanding (in thousands)</b>				
	<u>20,813</u>	<u>21,112</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	
	Nine month period ended September 30,		Three month period ended September 30,	
	2020	2019	2020	2019
<b>Cash flows from operating activities</b>				
Net income for the period	9,964	22,627	9,587	6,574
<b>Adjustments to reconcile net income to net cash from operating activities:</b>				
Depreciation and amortization	14,310	17,210	4,484	5,631
Interest and exchange rate differences on loans	(423)	23	119	(8)
Losses (gain) in respect of trading marketable securities	(11)	210	5	208
Gain in respect of investments in other companies	(4,948)	-	(3,424)	-
Increase in liability for employee rights upon retirement	1,350	1,294	455	115
Share in losses (gains) of affiliated companies, net	858	2,781	(29)	810
Deferred income taxes	(1,244)	252	(875)	269
Capital loss on sale of property and equipment, net	118	47	31	33
Decrease (increase) in accounts receivable	1,505	6,526	(1,982)	1,968
Decrease in other current assets	4,647	1,115	1,698	(1,199)
Decrease in inventories	1,825	3,618	1,596	1,613
Increase (decrease) in accounts payable	198	(3,559)	2,443	(3,212)
Decrease in deferred revenues	(5,521)	(7,090)	(1,811)	(947)
Increase (decrease) in other current and non-current liabilities	7,453	(3,341)	1,275	(663)
Impairment of goodwill	10,508	-	-	-
Impairment of other intangible assets	3,661	-	-	-
Increase (decrease) in obligation for purchase non-controlling interests	(680)	967	18	265
Net cash provided by operating activities	<u>43,570</u>	<u>42,680</u>	<u>13,590</u>	<u>11,457</u>
<b>Cash flows from investment activities</b>				
Increase in funds in respect of employee rights upon retirement, net of withdrawals	(790)	(1,117)	(427)	(161)
Capital expenditures	(7,506)	(13,658)	(1,927)	(3,283)
Investments in affiliated and other companies	(545)	(184)	(53)	-
Sale of marketable securities, net	269	1,454	269	-
Proceeds from (Investments in) deposits	(43)	(83)	(8)	69
Proceeds from sale of property and equipment	223	203	27	168
Net cash used in investment activities	<u>(8,392)</u>	<u>(13,385)</u>	<u>(2,119)</u>	<u>(3,207)</u>
<b>Cash flows from financing activities</b>				
Short term credit from banking institutions, net	2,614	387	(46)	998
Repayment of long term loan	(13,353)	(4,436)	(4,551)	(4,436)
Purchase of shares from minority shareholders	(750)	-	-	-
Dividend paid	(9,967)	(14,798)	-	(5,050)
Dividend paid to non-controlling interest	(1,461)	(1,557)	(1,461)	(748)
Acquisition of company shares purchased by a wholly owned subsidiary	-	(3,501)	-	(3,501)
Net cash used in financing activities	<u>(22,917)</u>	<u>(23,905)</u>	<u>(6,058)</u>	<u>(12,737)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(4,389)</u>	<u>(534)</u>	<u>(359)</u>	<u>(1,650)</u>
Net increase (decrease) in cash and cash equivalents	7,872	4,856	5,054	(6,137)
Balance of cash and cash equivalents at beginning of the period	<u>53,964</u>	<u>51,398</u>	<u>56,782</u>	<u>62,391</u>
Balance of cash and cash equivalents at end of the period	<u>61,836</u>	<u>56,254</u>	<u>61,836</u>	<u>56,254</u>