

ITURAN LOCATION AND CONTROL LTD.

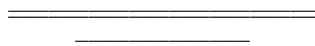
**Condensed Consolidated Financial Statements
as of June 30, 2021**

ITURAN LOCATION AND CONTROL LTD.

Condensed Consolidated Financial Statements as of June 30, 2021

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ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

| | US dollars | |
|--|-----------------------|-----------------------|
| (in thousands) | June 30, 2021 | December 31, 2020 |
| | (unaudited) | |
| Current assets | | |
| Cash and cash equivalents | 65,576 | 72,183 |
| Investments in marketable securities | 6,217 | 6,663 |
| Accounts receivable (net of allowance for doubtful accounts) | 45,864 | 39,343 |
| Other current assets | 38,578 | 38,624 |
| Inventories | <u>21,170</u> | <u>22,622</u> |
| | 177,405 | 179,435 |
| Non- Current investments and other assets | | |
| Investments in affiliated companies | 1,042 | 908 |
| Investments in other companies | 1,529 | 1,263 |
| Other non-current assets | 3,340 | 2,953 |
| Deferred income taxes | 12,659 | 11,910 |
| Funds in respect of employee rights upon retirement | <u>14,877</u> | <u>13,558</u> |
| | 33,447 | 30,592 |
| Property and equipment, net | <u>37,164</u> | <u>37,653</u> |
| Operating lease right-of-use assets, net | <u>4,258</u> | <u>5,548</u> |
| Intangible assets, net | <u>18,013</u> | <u>19,382</u> |
| Goodwill | <u>39,806</u> | <u>39,862</u> |
| Total assets | <u><u>310,093</u></u> | <u><u>312,472</u></u> |

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS (cont.)

| (in thousands) | US dollars | |
|--|--------------------------|------------------------------|
| | June 30, 2021 | December 31, 2020 |
| | (unaudited) | |
| Current liabilities | | |
| Credit from banking institutions | 17,590 | 20,388 |
| Accounts payable | 21,387 | 19,716 |
| Deferred revenues | 26,053 | 24,351 |
| Obligation to purchase non-controlling interests | 11,002 | 10,595 |
| Other current liabilities | 41,200 | 37,677 |
| | <u>117,232</u> | <u>112,727</u> |
| Non- Current liabilities | | |
| Long term loan | 20,938 | 34,068 |
| Liability for employee rights upon retirement | 20,646 | 19,715 |
| Deferred income taxes | 2,230 | 2,494 |
| Deferred revenues | 8,751 | 8,536 |
| Others non-current liabilities | 2,324 | 2,341 |
| Operating lease liabilities, non-current | 1,639 | 2,692 |
| | <u>56,528</u> | <u>69,846</u> |
| Stockholders' equity | 132,280 | 127,192 |
| Non-controlling interests | 4,053 | 2,707 |
| | <u>136,333</u> | <u>129,899</u> |
| Total liabilities and equity | <u>310,093</u> | <u>312,472</u> |

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

| (in thousands except per share data) | US dollars | | US dollars | |
|--|--|----------------|--|----------------|
| | Six month period ended June 30, | | Three month period ended June 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| | (unaudited) | | (unaudited) | |
| Revenues: | | | | |
| Telematics services | 92,562 | 92,707 | 46,943 | 43,731 |
| Telematics products | <u>42,265</u> | <u>28,978</u> | <u>20,519</u> | <u>9,580</u> |
| | <u>134,827</u> | <u>121,685</u> | <u>67,462</u> | <u>53,311</u> |
| Cost of revenues: | | | | |
| Telematics services | 41,990 | 40,501 | 21,220 | 18,159 |
| Telematics products | <u>31,652</u> | <u>22,558</u> | <u>15,421</u> | <u>7,495</u> |
| | <u>73,642</u> | <u>63,059</u> | <u>36,641</u> | <u>25,654</u> |
| Gross profit | 61,185 | 58,626 | 30,821 | 27,657 |
| Research and development expenses | 6,841 | 7,305 | 3,295 | 3,419 |
| Selling and marketing expenses | 5,880 | 5,899 | 2,923 | 2,840 |
| General and administrative expenses | 22,005 | 25,999 | 10,907 | 12,076 |
| Impairment of goodwill | - | 10,508 | - | 10,508 |
| Impairment of intangible assets and other expenses (income), net | <u>(86)</u> | <u>3,700</u> | <u>(74)</u> | <u>3,673</u> |
| Operating income (loss) | 26,545 | 5,215 | 13,770 | (4,859) |
| Other income (expense), net | (3) | 3 | - | 13 |
| Financing income (expense), net | <u>(1,982)</u> | <u>863</u> | <u>(989)</u> | <u>1,517</u> |
| Income (loss) before income tax | 24,560 | 6,081 | 12,781 | (3,329) |
| Income tax expenses | (5,718) | (4,817) | (2,905) | (2,891) |
| Share in gains (losses) of affiliated companies ,net | <u>(21)</u> | <u>(887)</u> | <u>(10)</u> | <u>16</u> |
| Net income (loss) for the period | 18,821 | 377 | 9,866 | (6,204) |
| Less: Net income attributable to non-controlling interest | <u>(1,452)</u> | <u>(343)</u> | <u>(758)</u> | <u>(129)</u> |
| Net income (loss) attributable to the Company | <u>17,369</u> | <u>34</u> | <u>9,108</u> | <u>(6,333)</u> |
| Basic and diluted earnings (losses) per share attributable to Company's stockholders | <u>0.83</u> | <u>0.01</u> | <u>0.44</u> | <u>(0.30)</u> |
| Basic and diluted weighted average number of shares outstanding (in thousands) | <u>20,813</u> | <u>20,813</u> | <u>20,813</u> | <u>20,813</u> |

ITURAN LOCATION AND CONTROL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| (in thousands) | US dollars | | US dollars | |
|---|--|-----------------|--|-----------------|
| | Six month period ended June 30, 2021 | 2020 | Three month period ended June 30, 2021 | 2020 |
| | (unaudited) | | (unaudited) | |
| Cash flows from operating activities | | | | |
| Net income (loss) for the period | 18,821 | 377 | 9,866 | (6,204) |
| Adjustments to reconcile net income to net cash from operating activities: | | | | |
| Depreciation and amortization | 8,735 | 9,826 | 4,383 | 4,603 |
| Interest and exchange rate differences on loans, net | 4 | (542) | 33 | 56 |
| Loss (gain) in respect of trading marketable securities | 365 | (16) | (116) | (106) |
| Gain in respect of investments in other companies | - | (1,524) | - | (1,524) |
| Increase in liability for employee rights upon retirement | 1,178 | 895 | 716 | 61 |
| Share in losses (gains) of affiliated companies, net | 21 | 887 | 10 | (16) |
| Deferred income taxes | (882) | (369) | 39 | (1,167) |
| Capital loss (gain) on sale of property and equipment, net | (53) | 87 | (49) | 27 |
| Decrease (increase) in accounts receivable | (6,533) | 3,487 | (945) | 7,978 |
| Decrease in other current assets | 1,032 | 2,949 | 1,552 | 3,477 |
| Decrease (increase) in inventories | 1,229 | 229 | (431) | 607 |
| Increase (decrease) in accounts payable | 1,008 | (2,245) | 1,964 | (2,435) |
| Increase (decrease) in deferred revenues | 1,863 | (3,710) | 42 | (2,307) |
| Increase in other current and non-current liabilities | 743 | 6,178 | 1,264 | 2,798 |
| 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 | 686 | (698) | 686 | (749) |
| Net cash provided by operating activities | <u>28,217</u> | <u>29,980</u> | <u>19,014</u> | <u>19,268</u> |
| Cash flows from investment activities | | | | |
| Increase in funds in respect of employee rights upon retirement, net of withdrawals | (1,504) | (363) | (765) | (255) |
| Capital expenditures | (6,819) | (5,579) | (4,102) | (2,128) |
| Return from (investments in) affiliated and other companies | (420) | (492) | (138) | 4 |
| Investments in long term deposit | (79) | (35) | - | (13) |
| Proceeds from sale of property and equipment | 628 | 196 | 407 | 30 |
| Net cash used in investment activities | <u>(8,194)</u> | <u>(6,273)</u> | <u>(4,598)</u> | <u>(2,362)</u> |
| Cash flows from financing activities | | | | |
| Short term credit from banking institutions, net | (83) | 2,660 | (34) | - |
| Repayment of long term loan | (14,982) | (8,802) | (4,211) | (4,517) |
| Purchase of shares from minority shareholders | - | (750) | - | (750) |
| Dividend paid | (10,100) | (9,967) | (10,100) | (4,917) |
| Dividend paid to non-controlling interest | (385) | - | (356) | - |
| Net cash used in financing activities | <u>(25,550)</u> | <u>(16,859)</u> | <u>(14,701)</u> | <u>(10,184)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(1,080)</u> | <u>(4,030)</u> | <u>1,728</u> | <u>202</u> |
| Net increase (decrease) in cash and cash equivalents | (6,607) | 2,818 | 1,443 | 6,924 |
| Balance of cash and cash equivalents at beginning of the period | <u>72,183</u> | <u>53,964</u> | <u>64,133</u> | <u>49,858</u> |
| Balance of cash and cash equivalents at end of the period | <u>65,576</u> | <u>56,782</u> | <u>65,576</u> | <u>56,782</u> |

In May 2021, the Company declared a dividend in an amount of US\$ 3 million. The dividend was paid in July 2021.