

**ITURAN LOCATION AND CONTROL LTD.**

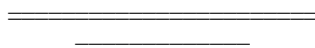
**Condensed Consolidated Financial Statements  
as of December 31, 2021**

# ITURAN LOCATION AND CONTROL LTD.

## Condensed Consolidated Financial Statements as of December 31, 2021

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**ITURAN LOCATION AND CONTROL LTD.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| <b>(In thousands)</b>  | <b>US dollars</b>   |                |
|--|---------------------|----------------|
|  | <b>December 31,</b> |                |
|  | <b>2021</b>         | <b>2020</b>    |
| <b>Current assets</b>  |                     |                |
| Cash and cash equivalents                                    | 50,306              | 72,183         |
| Investments in marketable securities                         | 4,405               | 6,663          |
| Accounts receivable (net of allowance for doubtful accounts) | 43,916              | 39,343         |
| Other current assets   | 36,979              | 38,624         |
| Inventories  | 27,128              | 22,622         |
|  | 162,734             | 179,435        |
| <b>Long-term investments and other assets</b>                |                     |                |
| Investments in affiliated companies                          | 885                 | 908            |
| Investments in other companies                               | 1,866               | 1,263          |
| Other non-current assets                                     | 3,146               | 2,953          |
| Deferred income taxes  | 11,091              | 11,360         |
| Funds in respect of employee rights upon retirement          | 16,205              | 13,558         |
|  | 33,193              | 30,042         |
| <b>Property and equipment, net</b>                           | 35,652              | 37,653         |
| <b>Operating lease right-of-use assets, net</b>              | 4,690               | 5,548          |
| <b>Intangible assets, net</b>                                | 16,753              | 19,932         |
| <b>Goodwill</b>  | 39,999              | 39,862         |
| <br>   |                     |                |
| <b>Total assets</b>  | <b>293,021</b>      | <b>312,472</b> |

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

| (In thousands)                                   | US dollars   |         |
|--|--------------|---------|
|  | December 31, |         |
|  | 2021         | 2020    |
| <b>Current liabilities</b>                       |              |         |
| Credit from banking institutions                 | 18,257       | 20,388  |
| Accounts payable                                 | 21,275       | 19,716  |
| Deferred revenues                                | 24,333       | 24,351  |
| Obligation to purchase non-controlling interests | -            | 10,595  |
| Other current liabilities                        | 40,767       | 37,677  |
|  | 104,632      | 112,727 |
| <b>Long-term liabilities</b>                     |              |         |
| Long term loan                                   | 13,169       | 34,068  |
| Liability for employee rights upon retirement    | 22,476       | 19,715  |
| Deferred income taxes                            | 1,952        | 2,494   |
| Deferred revenues                                | 8,902        | 8,536   |
| Operating lease liabilities, non-current         | 1,750        | 2,692   |
| Others non-current liabilities                   | 2,337        | 2,341   |
|  | 50,586       | 69,846  |
| <b>Stockholders' equity</b>                      | 132,460      | 127,192 |
| <b>Non-controlling interests</b>                 | 5,343        | 2,707   |
|  | 137,803      | 129,899 |
| <b>Total liabilities and equity</b>              | 293,021      | 312,472 |

**ITURAN LOCATION AND CONTROL LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

| <b>(in thousands<br/>except per share data)</b>   | <b>US dollars</b>                  |                | <b>US dollars</b>                                  |                |
|---|------------------------------------|----------------|--|----------------|
|   | <b>Year ended<br/>December 31,</b> |                | <b>Three months period<br/>ended December 31 ,</b> |                |
|   | <b>2021</b>                        | <b>2020</b>    | <b>2021</b>  | <b>2020</b>    |
| <b>Revenues:</b>  |                                    |                |  |                |
| Telematics services   | 189,649                            | 182,944        | 48,776   | 45,759         |
| Telematics products   | <u>81,235</u>                      | <u>62,683</u>  | <u>21,580</u>                                      | <u>17,854</u>  |
|   | <u>270,884</u>                     | <u>245,627</u> | <u>70,356</u>                                      | <u>63,613</u>  |
| <b>Cost of revenues:</b>  |                                    |                |  |                |
| Telematics services   | 84,783                             | 81,365         | 21,429   | 20,812         |
| Telematics products   | <u>59,619</u>                      | <u>48,747</u>  | <u>15,501</u>                                      | <u>13,289</u>  |
|   | <u>144,402</u>                     | <u>130,112</u> | <u>36,930</u>                                      | <u>34,101</u>  |
| Gross profit  | 126,482                            | 115,515        | 33,426   | 29,512         |
| Research and development expenses   | 14,099                             | 12,767         | 3,931  | 2,808          |
| Selling and marketing expenses  | 11,906                             | 11,014         | 3,029  | 2,586          |
| General and administrative expenses   | 46,118                             | 49,705         | 12,393   | 12,070         |
| Impairment of goodwill  | -                                  | 10,508         | -  | -              |
| Impairment of intangible assets and other expenses<br>(income), net                       | <u>(256)</u>                       | <u>3,690</u>   | <u>(104)</u>                                       | <u>(22)</u>    |
| Operating income  | 54,615                             | 27,831         | 14,177   | 12,070         |
| Other expenses, net   | (109)                              | (272)          | (106)  | (277)          |
| Financing income (expenses), net  | <u>(5,538)</u>                     | <u>1,480</u>   | <u>(822)</u>                                       | <u>(2,171)</u> |
| Income before income tax  | 48,968                             | 29,039         | 13,249   | 9,622          |
| Income tax expenses   | (11,854)                           | (10,856)       | (2,799)  | (2,261)        |
| Share in gains (losses) of affiliated companies, net                                      | <u>(102)</u>                       | <u>(842)</u>   | <u>(63)</u>  | <u>16</u>      |
| Net income for the period   | 37,012                             | 17,341         | 10,387   | 7,377          |
| Less: Net income attributable to non-controlling interest                                 | <u>(2,756)</u>                     | <u>(1,218)</u> | <u>(812)</u>                                       | <u>(555)</u>   |
| Net income attributable to the Company  | <u>34,256</u>                      | <u>16,123</u>  | <u>9,575</u>                                       | <u>6,822</u>   |
| <b>Basic and diluted earnings per share attributable to<br/>Company's stockholders</b>    |                                    |                |  |                |
|   | <u>1.65</u>                        | <u>0.77</u>    | <u>0.46</u>  | <u>0.33</u>    |
| <b>Basic and diluted weighted average number of shares<br/>outstanding (in thousands)</b> |                                    |                |  |                |
|   | <u>20,769</u>                      | <u>20,813</u>  | <u>20,651</u>                                      | <u>20,813</u>  |

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

| (in thousands)  | US dollars                 |          | US dollars                                |         |
|---|----------------------------|----------|---|---------|
|   | Year ended<br>December 31, |          | Three months period<br>ended December 31, |         |
|   | 2021                       | 2020     | 2021                                      | 2020    |
| <b>Cash flows from operating activities</b>   |                            |          |   |         |
| Net income for the period   | 37,012                     | 17,341   | 10,387                                    | 7,377   |
| <b>Adjustments to reconcile net income to net cash from operating activities:</b>   |                            |          |   |         |
| Depreciation and amortization   | 18,096                     | 18,831   | 4,767                                     | 4,521   |
| Interest and exchange rate differences on loans                                     | (47)                       | (266)    | (47)                                      | 157     |
| Loss (gain) in respect of marketable securities and other investments               | 2,387                      | (4,101)  | (222)                                     | 858     |
| Increase in liability for employee rights upon retirement                           | 2,069                      | 1,445    | 501                                       | 95      |
| Share in losses in (gains of) affiliated company, net                               | 102                        | 842      | 63  | (16)    |
| Deferred income taxes   | (443)                      | (2,158)  | 351                                       | (914)   |
| Capital losses (gain) on sale of property and equipment, net                        | (166)                      | 199      | (75)                                      | 81      |
| Decrease (increase) in accounts receivable  | (3,994)                    | 4,496    | 2,997                                     | 2,991   |
| Decrease (increase) in other current and non-current assets                         | 1,047                      | 3,064    | (1,961)                                   | (1,583) |
| Decrease (increase) in inventories  | (3,841)                    | 3,120    | 247                                       | 1,295   |
| Increase (decrease) in accounts payable   | 1,776                      | (658)    | (49)                                      | (856)   |
| Increase (decrease) in deferred revenues  | 318                        | (5,367)  | (181)                                     | 154     |
| Increase (decrease) in obligation for purchase non-controlling interests            | 967                        | (848)    | 281                                       | (168)   |
| Impairment of goodwill  | -                          | 10,508   | -   | -       |
| Impairment of other intangible assets   | -                          | 3,661    | -   | -       |
| Increase (decrease) in other current and non-current liabilities                    | 507                        | 9,959    | (1,017)                                   | 2,506   |
| Net cash provided by operating activities   | 55,790                     | 60,068   | 16,042                                    | 16,498  |
| <b>Cash flows from investment activities</b>  |                            |          |   |         |
| Increase in funds in respect of employee rights upon retirement, net of withdrawals | (2,097)                    | (1,148)  | (240)                                     | (358)   |
| Capital expenditures  | (16,626)                   | (10,234) | (5,380)                                   | (2,728) |
| Investments in affiliated and other companies, net                                  | (675)                      | (557)    | (255)                                     | (12)    |
| Proceed from (repayment of) long term deposit                                       | (48)                       | (32)     | 68  | 11      |
| Sale of marketable securities   | -                          | 269      | -   | -       |
| Proceeds from sale of property and equipment  | 922                        | 223      | 225                                       | -       |
| Net cash used in investment activities  | (18,524)                   | (11,479) | (5,582)                                   | (3,087) |
| <b>Cash flows from financing activities</b>   |                            |          |   |         |
| Repayment of long-term credit   | (23,576)                   | (18,157) | (4,403)                                   | (4,804) |
| Short term credit from banking institutions, net                                    | (197)                      | 1,186    | (48)                                      | (1,428) |
| Settlement of obligation to purchase non-controlling interests                      | (11,281)                   | -        | (11,281)                                  | -       |
| Purchase of shares from non-controlling interests                                   | -                          | (750)    | -   | -       |
| Dividend paid   | (15,809)                   | (9,967)  | (2,905)                                   | -       |
| Dividend paid to non-controlling interests  | (522)                      | (1,761)  | (98)                                      | (300)   |
| Acquisition of company shares   | (7,281)                    | -        | (5,411)                                   | -       |
| Net cash used in financing activities   | (58,666)                   | (29,449) | (24,146)                                  | (6,532) |
| Effect of exchange rate changes on cash and cash equivalents                        | (477)                      | (921)    | 1,045                                     | 3,468   |
| Net Increase (decrease) in cash and cash equivalents                                | (21,877)                   | 18,219   | (12,641)                                  | 10,347  |
| Balance of cash and cash equivalents at beginning of period                         | 72,183                     | 53,964   | 62,947                                    | 61,836  |
| Balance of cash and cash equivalents at end of period                               | 50,306                     | 72,183   | 50,306                                    | 72,183  |

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

In November 2021, the Company declared a dividend in an amount of US\$ 3 million. The dividend was paid in January 2022.